EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,507

Thursday July 18 1991

D 8523A

FRANCE

Privatisation in confusion

Page 18

World News

Philippines and US agree 10-year deal on navy base

The US confirmed it was abandoning its volcano-hit Clark air base in the Philippines but said it had agreed a 10-year lease extension on the big Subic Bay Naval Station.

Stanley Schrager, the US spokesman at the talks, said the US would turn over Clark air base, to Manila by September next year. The agreement must be ratified by both countries' Senates. Page 16

Russians adjourn

The Russian Congress of People's Deputies adjourned its special session after failing to elect a successor to Boris Yeltsin as chairman of the Russian Supreme Soviet. Soviet GNP down 10% in first half, Page 16

Israeli air strikes

Israeli jets hit two Shia Moslem guerrilla targets in southern Lebanon, and three Israeli soldiers were killed in ground fighting overnight. Page 6; Assad ups the ante, Page 14

German jobs deal

Germany's employers, trade unions and government agreed to set up job-creation companies to employ thousands of east Germans made jobless by the collapse of the former communist economy.

Cambodia conference

Warring Cambodian factions meeting in Beijing agreed that Prince Norodom Sihanouk will resign as resistance leader – a compromise aimed at advancing a UN peace plan. The move cleared the way for him to be elected president of a national reconciliation body. Page 6

Environment satellite

An Ariane rocket launched a $900m environment satellite commissioned by the European Space Agency. The ERS-1 can see through thick clouds

Sister-in-law sacked

President Carlos Menem of Argentina dismissed his sister-in-law from her job as his appointments secretary after press allegations linking her with drug money laundering.

'Armenians deported'

Ten thousand Armenians have been forcibly deported from the disputed Azerbaijan enclave of Nagorno-Karabakh since April, an international human rights delegation said in Moscow. The enclave, part of Azerbaijan but populated mainly by Armenians, is claimed by both republics.

Turkish union move

Turkey's military appeals court overruled an 11-year army ban on the left-wing Confederation of Revolutionary Labour Unions and acquitted 332 of its members of charges of communism.

Punjab crackdown

More than 60 people have been killed in the last two days in an Indian military crackdown on Sikh militants in Punjab. Page 6

Belgium seeks refund

Belgium is asking Germany to refund a big investment it made in the Kalkar fast-breeder nuclear reactor project which Germany abandoned earlier this year.

Climbers killed

Two British climbers fell to their deaths on a Pakistani mountain after failing to reach the summit. Steven Hillen and David Pyson were killed on 6,608-metre (21,680-foot) Makrong Shish on July 9.

Shame is the spur

Italy released the names of some 270,000 alleged tax dodgers – hoping publicity would shame them into paying up. The unpaid L33 trillion ($25bn) could pay off a quarter of Italy's budget deficit. Page 16

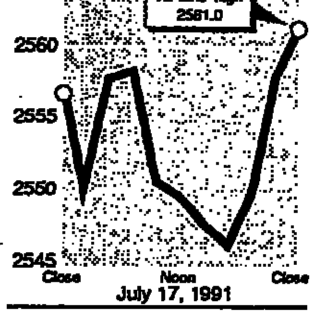
Business Summary

Air France to issue FFr1bn new equity to state bank

Air France, the loss-making French state airline, is preparing to issue FFr1bn ($160m) of new equity to Banque Nationale de Paris (BNP), the country's largest government-controlled bank. Page 17

FT-SE: A large trading programme involving some selling pressures failed to dent confidence in the UK stock market

FT-SE 100 Index



yesterday. Encouraged by a strong opening on Wall Street, the FT-SE Index in London closed at a new peak of 2,561, up 4.2. Back Page, Section II

SOVIET economy: Figures showed a 10 per cent decline in gross national product and a contraction of 37.1 per cent in foreign trade in the first half of this year. Page 16

AMERICAN Airlines' parent company, AMR, reported profits of just $10.3m after tax in the second quarter of 1991, a result described as "very unsatisfactory" by American's chairman. Page 17

EC airlines will be free to set fares at any level after 1996, if air transport liberalisation measures adopted by the European Commission are agreed by member states. Page 2

Japan: Yasushi Mieno, governor of the Bank of Japan, called for the introduction of "clear" rules on securities trading to prevent a repeat of the brokers scandal. Page 6

UK'S car industry was dealt another blow with the disclosure of Rover Group plans to cut production and lose nearly 1,300 staff jobs – around 12 per cent of its total – by the end of October. Page 11

ITALIAN tax: A list has been released with around 270,900 citizens who have been challenged over their tax declarations over the past 10 years. Page 16

US consumer prices rose at an annual rate of only 2.7 per cent in the first six months of 1991, adding credibility to the Federal Reserve's forecast of steadily declining inflation. Page 3

BANK of Yokohama launched a recommended £10.9m ($17.44m) cash offer for the outstanding 13.3 per cent stake in Guinness Mahon Holdings, valuing the merchant bank at £81.9m. Page 27

PEPSICO, the US soft drinks and food company, is to pay $24m for a 40 per cent share in Poland's Wedel chocolate factory. Page 17

POLAND is trying to persuade the IMF to change conditions of a three-year programme after failing to meet most of the performance criteria agreed earlier this year. Page 2

FRANKFURT tax authorities, alerted during the insider probe at Deutsche Bank, have widened their field of investigation with an unusual swoop on the floor of the stock exchange. Page 18

CANNON Engineering Technologies, a subsidiary of the US-based multinational group Cannon Industries, has signed a contract with two arms plants in Slovakia for the production and sale of civil heavy machinery. Page 7

Six-point package agreed to support 'irreversible' Soviet reform

G7 leaders back Gorbachev

By Anthony Robinson and Robert Mauthner in London

LEADERS of the Group of Seven industrial nations yesterday agreed a six-point package of measures to back Soviet president Mikhail Gorbachev's reform programme.

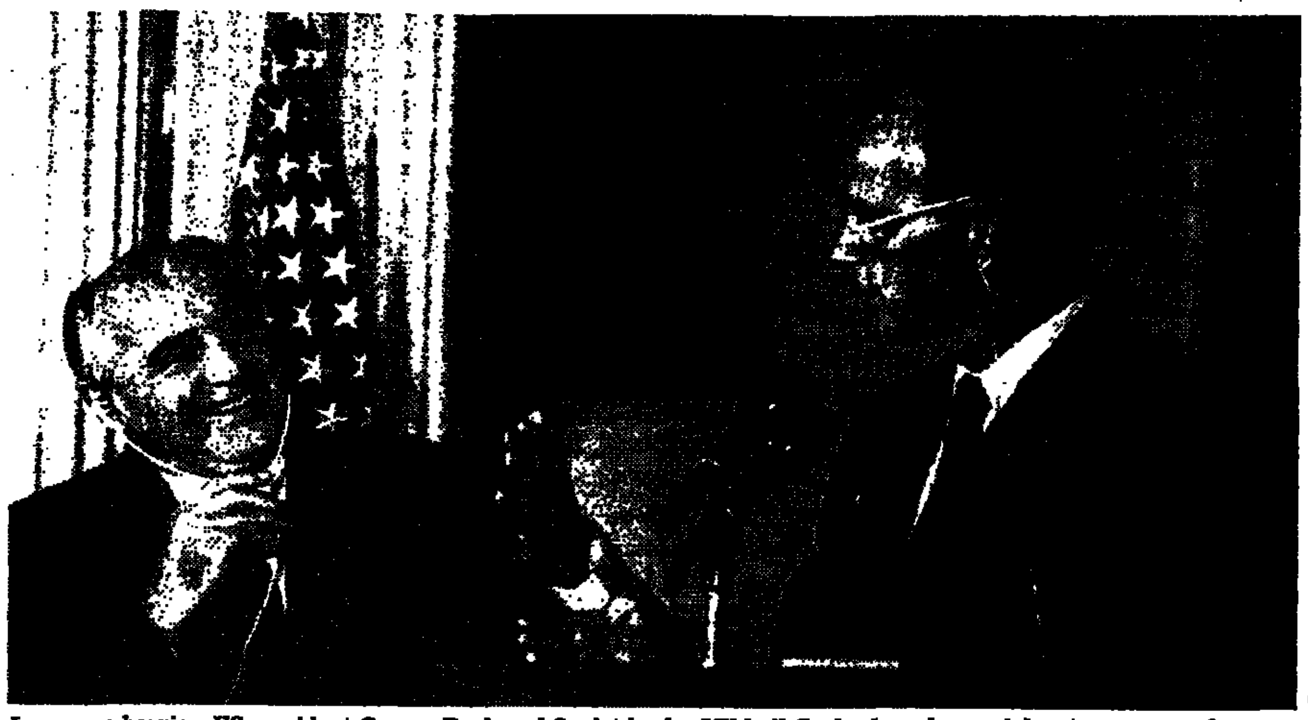
After an unprecedented meeting between Mr Gorbachev and the G7 leaders, British prime minster Mr John Major announced that relations with the Soviet Union were on a new and better footing and that changes in the USSR would deliver "irreversible and successful economic reform."

The announcement came shortly after the US and the Soviet Union yesterday reached agreement on a treaty to reduce their arsenals of long-range nuclear weapons, paving the way to a summit between US president George Bush and Mr Gorbachev in Moscow on July 30 and 31.

On arms control, Mr Bush and Mr Gorbachev overcame the last hurdle to the conclusion of a Strategic Arms Limitation Treaty (START), which will cut the overall number of each country's nuclear weapons by 30 per cent, during a short break of the meeting of the G7 leaders.

In his post-summit address, Mr Major listed six points on which the G7 agreed to assist the Soviet Union:

- It was being granted special status with the International Monetary Fund and World Bank;
- All international institutions were being asked to work closely together to intensify efforts to support the Soviet Union with advice and expertise to help it create a market economy;
- The G7 could help work for price decontrol and privatisation;
- The need to intensify technical assistance particularly in energy, converting defence industries to civilian output, food distribution and nuclear safety was recommended;
- Efforts would be made to promote trade
- In a follow-up to yesterday's meeting the chairman of the G7 summit should keep in close touch with developments in the Soviet Union.



Language barrier: US president George Bush and Soviet leader Mikhail Gorbachev share a joke at a press conference

The Soviet leader entered the talks with western leaders buoyed by their declaration of general support for Soviet political and economic transformation and expressions of their shared concern about the deterioration of the Soviet economy.

Mr Helmut Kohl, the German Chancellor, extended an invitation to Mr Gorbachev to attend the next G-7 meeting.

It was not immediately clear whether Mr Gorbachev would attend as a full participant in Munich, or whether he would joint the other leaders for discussions after the main meeting, as he did in London.

Mr Kohl said Mr Gorbachev was "firmly determined to continue the course he has taken."

He added: "He made clear his desire for reform was completely unbroken."

Mr Kohl, speaking after the G7 leaders' talks with Mr Gorbachev, said he was highly satisfied with the results of the summit.

In relation to the Start treaty, Mr Gorbachev said he and Mr Bush had given instructions to their negotiators in Geneva for the START treaty to be finalised in time for the two leaders to sign it in Moscow in July.

It has taken nine years to negotiate the treaty.

Under the START treaty, the first post-war arms control accord reducing rather than limiting strategic nuclear weapons, the US will reduce its arsenal of 12,000 nuclear warheads and bombs to about 9,000. The Soviet Union, meanwhile, will cut the number of its strategic weapons from 11,000 to about 7,000 warheads and bombs.

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Pledge to see Gatt talks end in success

By Peter Norman in London

LEADERS of the world's biggest industrial democracies yesterday staked their credibility on the Uruguay Round of trade liberalisation talks succeeding by the end of this year.

Mr John Major, the British prime minister and summit host, said he was prepared to call a special summit of Group of Seven leaders if it looked as if the talks would fail.

"This may mean for many individual countries painful decisions that in isolation they would prefer to avoid," he said. "But the bigger prize for all of us is a loosening up of world trade, a liberalisation of world trade, and a big step forward in the Uruguay Round."

Member countries would be ready to intervene to secure a "substantial, wide-ranging package" of results from the round, held under the General Agreement on Tariffs and Trade, according to the statement issued at the end of the G7 summit.

The US, Japan, Germany, France, Britain, Italy, Canada and the European Community welcomed increasing signs of economic recovery in the industrialised world and declared that their shared objective was sustained economic recovery and price stability. They also:

- Promised to implement monetary and fiscal policies to provide the basis for lower real interest rates;
- Made some progress

Continued on Page 16

Bank of England governor faces BCCI probe

By Ralph Atkins and Richard Waters in London

MR Robin Leigh-Pemberton, the Bank of England's governor, will be questioned next week by a parliamentary committee investigating the collapse of Bank of Credit and Commerce International.

The House of Commons Treasury committee yesterday launched its own inquiry, adding to pressure on the Bank of England to provide a full explanation of how much it knew about fraud and corrupt banking practices at BCCI before the shutdown.

The committee will decide on how to proceed with its inquiry after questioning Mr Leigh-Pemberton.

Mr Leigh Pemberton flew back to the gathering storm over BCCI yesterday morning from a meeting in Abu Dhabi, whose ruler, Sheikh Zayed, took control of the bank last summer.

The Bank of England also bowed to pressure yesterday to release more information to BCCI's shareholders and directors, as well as lawyers representing creditors of the bank.

It had earlier refused to pass on a report from Price Waterhouse, the BCCI auditor, which was delivered to banking regulators at the end of June and led directly to the closure of the bank' smain operations 13 days ago.

In the House of Commons, the Labour opposition called for a Treasury response to the disclosure in yesterday's Financial Times that the Bank of England had a damaging report on fraud and corrupt practices at BCCI as early as October 1990.

Cabinet ministers, however, insisted the Bank had acted at the earliest possible opportunity. Mr John Major, in a written parliamentary answer, said, "I was informed of the fraud as soon as the Bank were satisfied that they had evidence on which they could act.

Two complete copies of the Price Waterhouse report were handed by the Bank to lawyers representing BCCI and its Abu Dhabi shareholders after they applied to the High Court in London.

Abu Dhabi has consistently argued that the Bank acted irresponsibly in closing down BCCI without revealing its concerns to the shareholders beforehand.

The Bank would not disclose the outcome of talks in Abu Dhabi on Tuesday between the representatives of the shareholders and Mr Leigh Pemberton, Mr Brian Quinn, head of supervision at the Bank, and Sir Peter Petrie, an adviser to the governor.

Further censored copies of the Price Waterhouse report, from which names of those suspected of fraud at BCCI have been removed, are now due to be released to lawyers representing the bank's creditors.

Mr Norman Lamont, the Chancellor of the Exchequer, will today meet a delegation of Conservative and Labour members of Parliament who are anxious for details about the possibility of a rescue package for BCCI and the help available for small businessmen with deposits at the bank. Mr Leigh-Pemberton will meet a similar delegation this evening.

Mr John Maples, economic secretary to the Treasury, said in another written answer that the government would, "be considering whether the BCCI case has any further lessons for the framework of regulation both at home and abroad."

The Bank continued to insist that a Price Waterhouse report it received last October outlining suspicions of fraud at the bank did not contain sufficient evidence to prompt it to take more drastic action at the time. The day after the report was received, BCCI's two top directors resigned.

British minister alerted to 'corruption' in June 1990

By Michiyo Nakamoto and Tracy Corrigan in London

A BRITISH government minister was alerted by a Bank of Credit and Commerce International staff committee of possible "corruption and nepotism" within the bank in June last year.

In his reply to one of BCCI's internal auditors, Mr Michael Howard, the secretary of state for employment, Mr Howard said he would pass the information on to Mr Nicholas Ridley who was trade and industry secretary at the time.

Correspondence between Mr Howard, Labour MP Mr Tony Benn, and a committee of BCCI staff indicates that staff concerns about dubious activities at BCCI had been brought to the attention of Mr Howard on both June 12 and June 19 1990.

A letter from staff addressed Mr Howard, dated June 12 noted that the regulatory authorities "should urgently investigate all the many dubious activities of the Bank of Credit and Commerce. Only then can it prevent the catastrophe which will otherwise befall the shareholders, investors and employees of this organisation".

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- Abu Dhabi may salvage branches in Middle East and South Asia, Page 8
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- BCCI wins access to key auditor's report, Page 8
- Another fine mess for UK local government, Page 15

A second letter was forwarded to Mr Howard by Mr Benn on June 19 last year, in which Mr Vivian Ambrose, a member of BCCI's UK regional inspection department wrote: "The apparent incompetence of the bank's executives and higher management is surpassed only by the widespread corruption and nepotism within its organisation."

Mr Ambrose noted his surprise that "the external auditors, Messrs Price Waterhouse, have not found it necessary to comment on the aforementioned inadequacies or in any way qualify the accounts of the bank in the past".

The letter, which was intended to draw the employment secretary's attention to the inadequate redundancy terms of BCCI employees at the time of its restructuring last summer, goes on to indicate that the "regulatory authorities in the UK have long been aware of the dubious nature of the bank's operations yet no investigatory action has been taken."

A letter from Mr Howard, who was not available for comment yesterday, to Mr Benn on July 14 1990 states that Mr Ambrose's letter would be passed on to Mr Ridley.

Mr Ambrose, who said he did not hear from Mr Howard at the time, commented yesterday that "it was common knowledge in the City at the time that the executives of this bank were fraudulent. The crash was bound to happen. They must have been blind not to do something."

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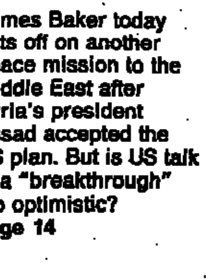
Has Assad rescued the US Middle East peace initiative?



James Baker today sets off on another peace mission to the Middle East after Syria's president Assad accepted the US plan. But is US talk of a "breakthrough" too optimistic? Page 14

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MARKETS

STERLING
New York lunchtime:
$1.651
London:
$1.6525 (1.6455)
DM2.9575 (2.960)
FFr10.0350 (10.0450)
SFr2.5675 (2.570)
Y226.00 (225.50)
£ Index 90.50 (90.6)

GOLD
New York: Comex Aug
$370.5 (369.8)
London:
$368.95 (368.8)

N SEA OIL (Argus)
Brent Sep
$19.925 (19.875)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.79
FFr6.0745
SFr1.555
Y136.8
London:
DM1.7890 (1.7990)
FFr6.0725 (6.1050)
SFr1.5535 (1.5615)
Y136.75 (137.10)
$ index 67.5 (67.6)
Tokyo close:Y137.17

US lunchtime rates
Fed Funds: $5\frac{13}{16}$%
3-mo Treasury Bills:
5.77%
Long Bond:
$96\frac{1}{8}$
yield: 8.48%

STOCK INDICES
FT-SE 100:
2,561.0 (+4.2)
FT Ordinary:
1,978.6 (+7.2)
FT-A All-Share:
1,219.47 (+0.2%)
New York:
DJ Ind. Av.
2,991.06 (+7.16)
S&P Comp
382.34 (+0.8)
Tokyo: Nikkei
23,060.7 (−314.45)

LONDON MONEY
3-month Interbank:
$11\frac{1}{32}$ ($11\frac{1}{2}$)
Liffe long gilt future:
Sep $92\frac{1}{16}$ ($91\frac{23}{32}$)

Brussels backs air fare liberalisation

By **Andrew Hill** in Brussels

EC airlines will be free to fix fares at any level after 1996, if air transport liberalisation measures adopted by the European Commission yesterday are agreed by member states.

The third and last package of air transport liberalisation measures also aims to establish common criteria for licensing EC carriers, and open up access to routes within the EC.

The Association of European Airlines (AEA), which represents 22 carriers inside and outside the Community, gave the draft measures a cautious welcome yesterday. Its principal objections to EC policy on air transport centre on separate proposals to force existing airlines to give up take-off and landing slots to new entrants, and on the inadequacy of airport infrastructure.

Mr Karel Van Miert, EC transport commissioner, said the "open skies" policy would lead to the growth of genuine cross-border airlines, but he conceded that some measures would meet opposition from member states. For example, the package adopted yesterday envisages the introduction of cabotage – allowing airlines from one member state to offer domestic services in another – from January 1, 1993.

"I suspect that's rather ambitious and it could be that we will end up agreeing on a transitional system, introducing cabotage gradually. But in the interests of logic and consistency we thought we should propose generalised cabotage," Mr Van Miert said. He pointed out that similar measures had been put forward for waterways in the EC, while a post-1992 cabotage regime for road transport will be proposed next week.

On air fares, the draft measures propose that from 1993 new fares will be subject to the "double disapproval" system, meaning they can only be blocked if opposed by governments at both ends of the route. Member states will be able to appeal against the more liberal pricing policy on routes where there is only "limited competition". Such routes will also be sheltered from the free-pricing regime after 1996.

The draft measures aim to end curbs introduced in the 1990 second package of air transport legislation, limiting the build-up of market share by member state's airlines.

● The Commission would decide on the legality of the Belgian government's BFr35bn aid package for Sabena, the state airline, when it meets next week, Mr Van Miert said. Belgium had "gone a pretty long way" to meeting Commission conditions he added. Belgium was asked to guarantee it would not repeat the aid package, and that it would open routes into and out of Brussels to greater competition.

A member of the Croatian National Guard takes aim along the road near Petrinja, south of Zagreb

Fabric of everyday life starts to fall apart in Yugoslavia

By **Laura Silber** in Belgrade

AS FIGHTING continues between Croats and Serbs in the republic of Croatia, the normal functioning of everyday life has begun to crumble throughout the country.

The evidence is necessarily anecdotal, but it adds up to a picture of increasing disintegration of communications, trade and financial links.

A lawyer who travelled to Zagreb, the capital of Croatia, last week was unable to cash a cheque drawn on a Serbian bank. Many restaurants in Belgrade no longer accept American Express cards because the payments are channelled through Zagreb.

Imports are becoming scarce as the federal government tries to conserve dwindling currency reserves to meet foreign debt payments. Western luxury goods from the republic of Slovenia are disappearing from the shelves in Belgrade shops. Families in the capital are hoarding salt, oil and flour in the belief war in inevitable.

The motorway between Zagreb and Belgrade is almost deserted. International freight lorries have switched routes and travel through neighbouring Hungary instead of Yugoslavia, formerly the crossroads between east and west.

SERBIAN nationalists yesterday killed a policeman and a civilian in a mortar attack on a police station in Croatia, Mr Milan Brezak, Croatia's assistant interior minister, said, agencies report. Fighting had raged for two hours in the dawn raid on the village of Lisani, south of Zagreb. Mr Sime Djodan, the republic's defence minister, said Yugoslavia's Serbian-dominated army was about to launch an attack on the breakaway republic. In Slovenia, which declared its independence on June 25, the government has shut off electricity to five Yugoslav military bases because federal authorities refused to reopen the republic's air space.

Relations between the six republics and two provinces have deteriorated so much, that no Yugoslavs will venture to their old summer haunts on the Adriatic coast. Outdoor cafes in Belgrade, the Serbian and federal capital, are packed with locals with nowhere to spend their holidays. Along the Dalmatian coast of Croatia, scores of hotels have closed. Fear of civil war has stopped Serbs taking their holidays on the Croatian coast.

Some Serbs who own houses along the Adriatic coast have refused to pay the huge monthly tax on Serbian-owned property in Croatia. "It will be a long time before I will go to my house. In the end, I am afraid Croatia will confiscate the property," a Belgrade banker said.

Even if they want to escape the climate of fear and depression, most Yugoslavs do not have the cash to travel to Greece or Italy. Mr Nebojsa Krstic, a doctor in Belgrade said: "Lives have been completely consumed by a collective sense of waiting to see how the situation will develop – whether we will be at war. No one can live normally or make any plans. Instead, there is a looming depression".

A history teacher in Belgrade said: "While the country's leaders spend hours arguing over where to hold peace talks, people are getting killed, and our future becomes ever more uncertain."

Many young men, in an attempt to escape mobilisation, have gone into hiding. They stay in the cities, fearing reports that border police will turn them over to the army.

Bulgaria to hold poll in spite of opposition

By **Ben Crampton** in Sofia

BULGARIA will hold fresh parliamentary and local government elections on September 29, despite opposition by parliamentary deputies to the constitution drawn up and passed earlier this month.

The elections will be a clear contest between the Bulgarian (former communist) Socialist Party (BSP) and the opposition Union of Democratic Forces (UDF), a loose coalition of 16 political groupings.

The BSP won a comfortable majority in elections which were held last June, following the bloodless coup against Mr Todor Zhivkov, in November 1989.

But opposition deputies from the national and royalist wing of the UDF went on hunger strike two weeks ago, arguing that the constitution had been drawn up by the communist-dominated parliament.

The outgoing parliament is a constituent assembly, saddled with the task of writing a constitution, without which fresh elections can not take place.

The 25 striking deputies are also arguing that the constitution, passed on July 12, "is insufficiently democratic", and insist that it should be put to a referendum, with a two-thirds majority needed for the constitution to be approved.

The constitution is contradictory in sections, particularly on the question of ethnic minority rights. Nearly 2m of Bulgaria's 9m people are ethnic Turks.

The preamble to the constitution states that no groups will be persecuted on religious or ethnic grounds. However, in the text, the constitution states that no political party should be based on ethnic background.

This could cause some difficulties for the Movement for Rights and Freedoms, a political movement for the ethnic Turkish minority.

The MRF walked out of parliament last May, followed later by about 70 other deputies, ostensibly because of the problems presented by this ruling. If the MRF wants to stand in the elections, it would have to turn itself into a political party. But it would then be automatically banned from standing, because its political support is based among the ethnic Turks.

Assessing support for the hunger strikers is not easy. An opinion poll published last weekend gave the constitution 57 per cent support.

But the apparent desperation and deteriorating health of the strikers is shifting opinion in their direction.

The situation in Sofia is extremely tense. Last Monday, Mr Alexander Karakachanov, the mayor of Sofia, was attacked and his spokesman and a policeman were badly beaten by an angry mob. The mayor described the protesters as "bolsheviks".

France holds out for 'balanced' trade clause in Japan accord

By **David Buchan** in Brussels

PROSPECTS for the signature today of a political declaration upgrading relations between the EC and Japan were still in doubt last night because of an unresolved dispute over Japanese car exports to the EC and France's insistence on a reference to "balanced" trade.

Hopes that the long-planned declaration could be issued when Prime Minister Toshiki Kaifu meets EC leaders in The Hague today rested mainly on the outcome of contacts between the Commission, Japan and France held yesterday in the margin of the G-7 summit in London.

Kaifu: to visit The Hague

"I will make efforts to reach an agreement so that the declaration can be issued", Mr Kaifu said in London. But his officials said in Brussels that Japan would resist what they described as an attempt by France to make the declaration conditional on a tougher regime for Japanese car imports into the EC.

EC ambassadors were yesterday unable to settle the one disputed sentence in the proposed declaration. Modelled on last year's transatlantic declaration between the US and EC, this calls for "heightened international co-operation" between Europe and Japan and for annual summits of the kind that Mr Kaifu is due to hold today with Mr Ruud Lubbers, the Dutch prime minister and current president of the EC Council, and Mr Jacques Delors, the European Commission president.

France's 11 EC partners are ready to accept a phrase calling for "equitable access" by Japan and the EC to each other's market, but Paris was understood to want to insert the word "balanced". A Japanese official said achieving a balance of results, rather than just opportunities, smacked of managed trade.

"We should avoid falling into the pitfall of a formula which could lead to conflicting interpretations later", the official said. Japan does not want to sign something with the EC which France could subsequently unravel.

Likewise, Tokyo reached agreement some months ago with Commission negotiators on the principles of restraining the growth in its car exports to the EC from 1993 to 1998 or 1999, but has refused to sign anything until Brussels can ensure France's acceptance of its car deal.

EC move to aid satellite TV industry

EUROPE'S fast-growing satellite TV industry would have a streamlined system of dealing with copyright disputes under a plan which Brussels yesterday proposed to EC governments, David Buchan reports from Brussels.

Despite the EC's 1989 directive on *télévision sans frontières*, a copyright holder to a film in one EC country can still effectively block satellite transmission of that film to other EC countries. The Commission proposes that, from 1995, satellite broadcasters could put a film on the air, having only got permission from the copyright holder in the country from which they were broadcasting. The latter would then be left to pay royalties to copyright holders in other countries receiving the transmission.

EC officials say such a system would prevent deadlocks over satellite transmission of films co-produced by companies in different EC states. They claim it would enable satellite broadcasters to put better programmes on air and make more money. Most of the operators of Europe's 68 satellite channels are still losing money, they say. All EC states, Brussels suggests, should follow Belgium and the Netherlands in organising an annual collective negotiation between broadcasters, cable operators and copyright holders.

German coal subsidy approved

By **Andrew Hill** in Brussels

THE European Commission has approved German government aid of DM3.8bn (£1.3bn) to the country's coal industry.

The state aid mainly relates to the second year of a three-year deal under which the German government subsidises the delivery of coal and coke to the EC steel industry.

But pressure from Brussels continues to mount on Bonn to deliver its overdue plan for restructuring the sector.

The issue is certain to be on the agenda when Sir Leon Brittan, competition commissioner, visits Bonn in the next few days.

The three-year deal was approved in principle by the Commission last year on condition that there was a gradual reduction in the tonnage of coal and the subsidies involved.

Brussels is also opposed to state subsidies to the west German coal industry's other protected market, electricity supply.

Under the so-called "100-year contract", German consumers pay a surcharge on their electricity bills to compensate electricity suppliers for having to buy a fixed amount of German coal at DM180 above the world market price.

The Commission, under pressure from other EC coal manufacturers, wants a reduction in the tonnage of coal covered by the contract, and a cut in DM5bn of subsidies which support it.

Those subsidies were authorised in 1989 by the Commission, on condition that Bonn delivered a restructuring plan for the whole industry. No plan has yet arrived.

Mr António Cardoso e Cunha, the energy commissioner, and Sir Leon, expect to put general proposals on German coal aid to the Commission shortly. An EC official said yesterday the proposals would "cut quite deep into the [German] subsidies".

● Commissioners are expected to vote next week on Sir Leon's proposals to encourage greater transparency in government aid for state-owned companies.

Poland to press IMF for fresh credit terms

POLAND is trying to persuade the International Monetary Fund to change the terms of a three-year programme after failing to meet most of the performance criteria agreed earlier this year, Christopher Bobinski reports from Warsaw.

Mr Stefan Kawalec, a deputy finance minister, travels to the US soon to make the case for revision of the IMF programme under which Poland is entitled to draw $2.5bn (£1.52bn)-worth of credits.

"There is no other way out," Mr Janusz Sawicki, a top finance official, said. "The Fund must be reasonable. I think we should reach agreement." He was speaking at the signing in Warsaw of a pact cutting Poland's $3.67bn debt to the US by 46 per cent in net present value terms.

This is the first of 17 individual agreements Poland has to sign in the wake of an April deal by western governments in the Paris Club to cut Poland's debt to them by about half. The US will reduce its Polish debt by a further 20 per cent in 1994 after Poland has fulfilled its IMF agreement. Western banks and governments are looking to Poland to fulfil its IMF pact as a condition of proceeding with debt cuts.

The only performance criterion Poland had kept to until end-June was to stay within its foreign borrowing limit. Its budget deficit was higher than agreed with the IMF and its foreign reserves had fallen $1.7bn instead of growing by $200m. Domestic credit expansion was higher than expected.

Failure to agree with the IMF means Poland will be unable to draw its second tranche of the extended Fund facility worth SDR 102m which would have become available at the end of June.

● Poland's privatisation Ministry has announced a preliminary list of 400 factories which will come under the government's mass privatisation scheme. They include some of Poland's biggest plants.

E Europe industrial output 'down 13%'

INDUSTRIAL production in eastern Europe fell 13 per cent in the first quarter of this year compared with the same period of 1990, a leading economic institute reported yesterday, **Reuters reports from Vienna.**

The Vienna Institute for Comparative Economic Studies, which monitors the economies of the former communist bloc, said the continuing slump was caused by rigid economic stabilisation measures and a breakdown of intra-regional trade.

It said the Soviet Union's imports from its former allies dropped 48 per cent in the quarter, while exports to the region slumped 41 per cent.

In the region overall, hard currency exports also fell, although Hungary and Poland managed to increase theirs, indicating a greater ability to adapt to western markets.

Particularly noticeable was the fall in investments, by around a fifth for the region, the institute estimated. In Czechoslovakia, the drop was between 25 and 35 per cent.

Despite decreasing demand, prices were climbing, mainly because of price liberalisation in Czechoslovakia, Bulgaria and to some extent Romania, but also difficulties in controlling state finances and the money supply in Yugoslavia and the Soviet Union.

Also responsible for inflation were higher import prices, particularly for energy, higher interest rates, wage rises and, in the case of Czechoslovakia and Bulgaria, a sharp devaluation in their currencies.

These factors combined to cause real incomes in the region to fall by some 15 per cent in the first quarter.

For 1991 as a whole the institute predicted a further drop in industrial production and social product, roughly equivalent to GDP, with no guarantee that the bottom of the trough would be reached this year.

EC intervenes on Spain's dying wetlands

Irrigation project frozen to halt 'an authentic ecological disaster', writes **Peter Bruce**

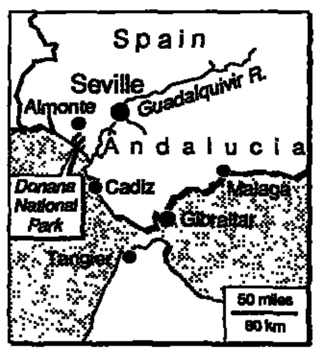
VISITORS to the World Exposition in Seville in 1992 would do well to add an item to the itinerary. The Expo will be an $8bn celebration of Spain's re-emergence as an economic power – but an hour's drive from the Expo site lies the Doñana National Park and the flip side to that success.

Europe's biggest natural reserve and an essential stopover for most of the migratory birds on the east Atlantic flyway that links the cold north with the breeding grounds of Africa, Doñana is a dying wetland, a combination of moving and fossilised dunes and flat winter swamp about 500km square on the estuary of the Guadalquivir River in southern Andalucia.

The park lives off huge reserves of subterranean water but is falling victim to what one of Europe's most eminent hydro-geologists has called a mixture of "ignorance, arrogance, neglect and corruption" on the part of the Spanish authorities.

Now, after years of ignoring the protests of foreign and Spanish environmentalists and societies for bird protection, Madrid is demanding money from the European Community to try to stave off disaster and to "compensate" surrounding municipalities whose inhabitants will have to be prevented from building and farming around – and poaching in – the park in order that damage control measures can have an effect.

Doñana's misery began 12 years ago when the Andalucian government began work on the 24,000-hectare Almonte Marismas irrigation project – the biggest agricultural scheme in Spain – that butts right up against the park. The project, designed to help poor local farmers grow new crops, has expanded to 10,000 hectares and consumes 80bn litres of water a year.



As a result, Doñana's natural water reserves are falling rapidly. While the authorities used to claim that damage to the park was negligible, Professor Ramon Llamas, professor of hydro-geology at the Complutense University in Madrid, insists that subterranean drainage is so advanced that it might, in parts, be irreversible. He has made precise measurements of the watertable and warned last year that "if they carry on exploiting the subterranean waters in this way they are going to produce an authentic ecological disaster".

Once the private hunting grounds of Spanish kings and aristocrats, Doñana is home to 250 species of migratory and domestic birds, including Spain's few remaining Imperial eagles, and 60 animal species, including the last Iberian lynx. It is Europe's most important biological station but warnings from ecologists were for years systematically contradicted by the Socialist government of Andalucia, which has supported the irrigation project and the big, litter-strewn, Matalascanas resort on part of the long, white Doñana beach.

It was only when the European Commission threatened to begin proceedings against Spain last summer that the authorities began to act. Under orders from the Socialist government in Madrid, the Socialist premier of Andalucia halted expansion of the irrigation project.

Doñana National Park is home to the Iberian Lynx

Seville asked the European Commission for money to save the park but Brussels insisted an international commission be set up to study the damage done so far. The commission was quickly handpicked by the Andalucian Government but is expected to take many more months to finish its work.

At about the same time party pressure was brought to bear on the mayor of Almonte, also a Socialist, to stop construction of a $100m, 32,000-bed tourist complex next door to Matalascanas. An environmental impact study is being prepared, but the project may still go ahead.

Studies and technicians have been the bane of Doñana for 20 years. It is run by Icona, a corps of forestry engineers who critics say have no feel for the park. Icona has approached the Doñana as an engineering problem, building dozens of dykes and canals to control drainage. But efficient, rapid drainage can be lethal to nesting birds.

Icona is also supposed to guard the park but security is only evident when the prime minister, Mr Felipe González, spends his summer holidays in a palace there. For the rest of the year, the Doñana is a poachers heaven. Crab hunters trap many birds in the 20,000 or so narrow crab nets placed in and around the park.

It is possible, though, to overstate the case against Icona. Politicians control park policy and also whatever happens on its borders. In 1988 30,000 geese and duck, some rare, died after pesticides were accidently released into Doñana's water system from the Almonte Marismas project.

The birds also have to survive Matalascanas. The sewage filter at the resort, which accommodates up to 150,000 people in summer, collapsed in 1989, driving stinking effluent on to the park's vast beach.

With the agriculture and resort projects frozen, Madrid has at least managed to cool tempers. But Doñana is still not secure. Mr González, who claims to know Doñana better than anyone, says it is not Spain's fault that Spain happens to be the country the park is in. If Europe wants to conserve it then Europe should help pay for it.

What Doñananeeds most is money to pay the locals to leave it alone. The question is whose money? Brussels might have some suggestions to make about what Andalucia can do with the proceeds of the Expo next year. Entrance to the extravaganza is going to cost an incredible $40 a head.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Poverty thwarts drugs fight in Bolivia

US officials are losing the battle to curb a crop which provides jobs and foreign earnings, writes **Christina Lamb** from the Chapare, central Bolivia

THE big bucks and glamorous living of the cocaine trade could not be further from the subsistence existence of peasants in Bolivia's semi-tropical heartland where much of the world's coca leaf is grown.

To the farmers of the Chapare coca is not a path to riches but simply a means of surviving in South America's poorest country. Many are former miners who lost their jobs after the 1985 tin crash, others are farmers from the drought-hit Cochabamba valley.

The 350,000 peasants of the Chapare make only $15 on 50 kilos of coca leaf. But they see little alternative. Mr Julio Sanchez has two hectares of coca – and earns just enough to feed his family. He says: "Coca is the last resource we have. Foreigners come and tell us to grow different things but the soil has been spoilt by coca and we have no market or transport for other products."

It is easy to find buyers for coca. In the coca market of Villa 14 de Septiembre women in bowler hats and voluminous skirts arrive with sacks of coca leaves to be pounced upon by gold-toothed buyers, claiming to be purchasing for traditional uses such as coca tea or for miners to chew. In the wild west atmosphere, where the union leader is drunk in a bar and a puma strolls nonchalantly through proceedings, nothing is quite what it seems.

According to government figures 51,000 hectares is cultivated for coca of which around 12,000 is for traditional uses.

Last year for the first time coca cultivation in the Chapare fell after a crackdown by narcotics police on big buyers in the region. This caused the price to drop to around $10 a bushel, making voluntary eradication, for which farmers receive $2,000 a hectare, more attractive. But US officials say that much of the 7,800 hectares eradicated has been replanted. "For every three eradicated two are replanted," said one. "We are losing the battle." Buyers and growers are back in contact pushing up prices and this year the eradication campaign is way off the 7,000 hectare target set in 1988.

"Only those in absolute necessity are eradicating," says Mr Alberto Zamiro, an officer from Direco, the government eradication agency. One such case is 81-year-old Mr Cecilio Cespedez Lopez, who sitting head down on a broken crate, cough wracking his lungs as he watches the Direco squad measure up his land, explains: "I'm dying and am doing this to get the money to be buried."

The US believe the Bolivian authorities are not trying and are pressing them to forcibly eradicate coca planted since 1988 when planting became illegal. Officials point out that the $66m economic support fund as part of this year's aid was conditional on meeting eradication targets and carrying out an effective forced eradication campaign.

But Bolivians see cocaine as a problem of the outside world and claim their economy would not be viable without the employment and $300m brought in by coca money (equivalent to more than 30 per cent of formal exports), a view rejected as short-sighted by development workers who say there is plenty of scope for developing exports such as flowers, silk and bananas.

A senior UN official complains: "The international community has not made it clear to Bolivia that it can't have it both ways. They are getting $700m a year in various types of assistance while their cocaine production is increasing and we are allowing them to believe this is possible."

Over the last five years Bolivia has gone from being a humble supplier of leaf to Colombia to being the world's second largest producer of cocaine and a major centre of trafficking to Europe (usually through Brazil) and the US.

Given the government's inability to meet eradication targets the US believe tougher action is needed against traffickers hidden in the Amazonian jungle. President Jaime Paz Zamora has agreed under US pressure to involve the Bolivian army for the first time and has accepted a $15m US military aid package. As part of this 56 American military advisers recently completed training two battalions of the Bolivian army.

The unpopularity of this move is evident from the graffiti on walls throughout Bolivia protesting "Fuera los Yankees!" (Out with the Yankees). In a union meeting in the Villa 14 de Septiembre coca market, comrades chew coca leaves and complain of threats to Bolivia's sovereignty.

This atmosphere has been worsened by allegations that US Drug Enforcement Administration agents beat up Bolivian navy officers during Bolivia's largest ever drugs raid last month. The Bolivian military chief called the action "an affront" and demanded the expulsion of the agents.

Earlier the armed forces had been accused of corruption by Mr Bob Gelbard, the US ambassador, who in March was responsible for the departure of the interior minister and police chief for involvement in sheltering traffickers. Both are now in US jails.

Mr Gelbard is defiant about his interference: "Where there are people involved in exporting a poisonous commodity to our country it becomes relevant to our national interest and justifiable for us to be involved."

One danger is the narrowing line between producers and growers.

Many peasants now produce coca paste to increase their earnings and in a DEA operation last year traffickers used peasants as shields. Although the government has insisted that the army will not enter the Chapare, sceptical growers' leaders are setting up defence committees, claiming their subsistence living is under threat.

But time is running out. The escalating rate of addiction among children in Bolivia may be the only thing to force Bolivia's leaders to treat the fight against drugs as their problem too.

Coca is the only crop worth growing for some Bolivians

Consumer prices in US show slowdown

By Michael Prowse

US consumer prices rose at an annual rate of only 2.7 per cent in the first six months of this year, adding credibility to the Federal Reserve's forecast of steadily declining inflation during the economic recovery. Consumer prices rose 6.1 per cent last year.

The Labour Department said falling energy prices accounted for much of the decline in inflation in the first half but noted that price increases for most other categories of goods had also moderated. Prices rose 0.2 per cent in June, in line with the average increase in preceding months. Excluding the volatile food and energy components, "core" consumer prices rose 0.4 per cent last month.

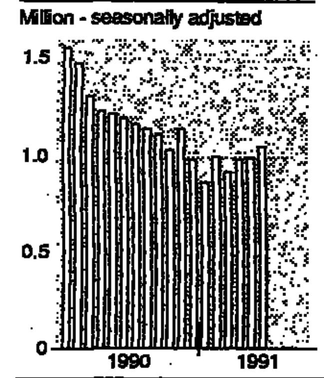
A separate report from the Commerce Department showed an encouraging 5.2 per cent rise in housing starts in June, the third successive monthly increase. Starts are still 12 per cent below the level of a year ago but the steady improvement since April provides further evidence that a housing recovery is under way. Many analysts believe the strength of the housing market will strongly influence the momentum of economic recovery.

In congressional testimony on Tuesday, Mr Alan Greenspan, the Federal Reserve chairman, said inflation was likely to average about 3.5 per cent both this year and next. But the stability would mask a steady improvement because falling energy prices had exaggerated the decline in inflation this year. Annual US inflation was last below 4 per cent in 1986 when a halving of oil prices reduced cost pressures worldwide.

Yesterday's figures showed a continuing discrepancy between different sectors of the US economy. Prices in relatively protected service industries rose at an an annual rate of 4.4 per cent in the first half of the year. Goods price inflation, however, was only 1 per cent at an annual rate.

US housing starts

Million - seasonally adjusted



California resolves budget wrangle

A BUDGET package for California including higher taxes for the better-off and cuts in welfare payments to bridge its record $14.3bn deficit was finally agreed yesterday, some 16 days into the new fiscal year, writes Peter Riddell.

Republican governor Pete Wilson had to rely on support from Democrats in the state legislature to carry the final package, in face of the opposition of many of his own party.

The Californian budget saga has highlighted the problems facing many states because of pressures on expenditure from rising welfare and law and order costs and the depressing effect on revenues of the recession.

Barbara Bush 'torn about second term'

MRS Barbara Bush said yesterday she was torn about the prospect of her husband's seeking re-election as US president, "but the truth is I think he has to run," AP reports from London. She said she thought her husband George would not run in 1992 if she asked him to quit.

Battles lie ahead as US bank reform package takes shape

By Peter Riddell, US Editor, in Washington

THE US Treasury has welcomed bank reform proposals put forward by leaders of the Senate banking committee, even though there are differences over the legislation's scope.

Battles lie ahead as much of the draft put forward by Senator Don Riegle, chairman of the committee, remains highly controversial. Moreover, several provisions differ not only from those suggested by the Treasury but from those adopted last month by the House banking committee.

International bankers are particularly concerned about the senator's intention to revive the Treasury proposal (defeated by the House committee) that foreign banks wishing to run securities operations should have to convert existing branches into separately capitalised local subsidiaries. This, it is claimed, would raise costs.

Both the House committee version and Senator Riegle's plan propose fundamental changes in US banking.

Mr Robert Glauber, Treasury under-secretary for domestic finance, said it was "good that it is as comprehensive as it is". But he admitted to disappointment that the senator's plan "stops short in a couple of places. Obviously there are elements that we would like to see changed."

In particular, the Treasury favours allowing commercial businesses to invest in banks so as to provide a new pool of capital. This was approved by the House committee but opposed by Senator Riegle.

The Treasury also opposes the senator's suggestion that the Office of the Comptroller of the Currency, which regulates national banks, should be merged with the Office of Thrift Supervision, which oversees savings and loans, and put into a new independent regulatory agency. The Treasury wishes to retain an influence over the regulators.

Otherwise, the senator's proposal, like the House version of the bill, would retain the existing coverage of deposit insurance and refinance the nearly insolvent bank insurance fund by allowing up to $70bn in borrowing authority.

The senator's plan includes a special assessment on all bank assets to bolster the insurance fund. This would take into account foreign, as well as domestic, deposits.

A clash is certain over the senator's proposal to remove insurance protection from large certificates of deposit sold by brokers. Merrill Lynch and other larger brokers successfully persuaded the House committee to retain insurance coverage on deposits handled by well-capitalised brokers.

The senator's plan would be more restrictive than the House version over nationwide banking. The House committee measure would remove all current restrictions. But the senator's proposal would give state legislatures three years to decide whether out-of-state banks should be allowed to run branches as part of a multi-state network, though they could acquire or set up a separate banking subsidiary, which is more expensive.

Senator Riegle

Last hurdle to Start agreement ironed out just before superpower leaders met

Deal marks arms control milestone

By Robert Mauthner, Diplomatic Editor

THE strategic arms agreement announced by US President George Bush and Soviet President Mikhail Gorbachev in London yesterday marks a milestone in arms control.

For the first time Soviet and US long-range nuclear missiles, bombers and nuclear submarines will be reduced rather than just limited, as they were in previous strategic arms accords. Following last year's Conventional Forces in Europe treaty, the deal was the most important brick missing from the new European security structure marking the Cold War's end.

The Strategic Arms Reduction treaty (Start), which took nine years to negotiate and runs to 500 pages, is expected to be signed by the two leaders at their summit in Moscow on July 30 and 31. But although they agreed in principle at yesterday's one-hour meeting on a solution to the last obstacle holding up the accord, experts still have to agree on the technical language.

Mr Gorbachev said at a joint press conference with Mr Bush: "We agreed to finalise everything in Geneva and we will give appropriate instructions so that we can then sign that treaty."

The number of strategic nuclear weapons in each country's arsenal will be cut by about 30 per cent, not 50 per cent as was the original objective. The US will reduce its overall number of nuclear warheads and bombs from 12,000 to about 9,000, while the Soviet arsenal is due to be cut from 11,000 to about 7,000.

The Soviet Union will halve its stockpile of the most threatening intercontinental ballistic missile, the SS-18, leaving it with no more than 154 missiles in this category and 1,540 warheads.

The last hurdle to an agreement – how to distinguish new missiles from old – was settled at a separate meeting between Mr James Baker, US secretary of state, and Mr Alexander Bessmertnykh, his Soviet counterpart, shortly before the Bush-Gorbachev talks. The two ministers agreed on a new "throw-weight" formula, which lays down the permissible warhead limits on certain categories of missiles, apparently after the Soviets had come up with a last-minute compromise.

Moscow is also believed to have dropped its demand that the US agree strictly to limit the scope of its Strategic Defence Initiative (SDI), which provides for development of space-based weapons. However, the Soviet Union is expected to issue a unilateral declaration when the Start treaty is signed that it might reconsider its commitment to reducing strategic weapons if Washington proceeded with the development of space-based arms.

The US has been using the prospect of a summit meeting between Mr Bush and Mr Gorbachev in Moscow as a bargaining chip to squeeze the maximum number of concessions out of the Soviet Union. Mr Bush has always made his acceptance of Mr Gorbachev's invitation to the G7 summit conditional on a satisfactory outcome of Start negotiations.

However, the long delay in reaching an agreement, which appeared to be nearly complete when Mr Bush took office in January 1989, was due principally to political developments inside the Soviet Union.

Mr Gorbachev's room for manoeuvre in negotiations was restricted for a long period by the growth in influence of the Soviet military establishment, which opposed further concessions to the west after the conventional forces agreement. His hands were further tied by successive domestic crises, both political and economic, and the growing power of hard-line politicians.

The last straw appeared to be the resignation last year of Mr Gorbachev's pro-western foreign minister, Mr Eduard Shevardnadze, who had been the main Soviet proponent of successive arms agreements, such as the medium-range missile and conventional arms accords.

Although the Start agreement will leave both countries with substantial nuclear arsenals, US officials feel there is little prospect at the moment of further negotiations to cut strategic weapons.

Presidents Gorbachev and Bush go through their paces for the press yesterday. Another man who took advantage of the large press presence this week was Bruno Manser, a Swiss, who chained himself atop a lamp post outside the media centre yesterday in protest at destruction of rain forests. Bolt cutters brought him down.

New kid shines at his first big party

By Ivo Dawnay, Political Correspondent

PSEPHOLOGY being an inexact science it remains unclear exactly how many percentage points of the vote a winning smile can command at the polls.

But there seems little doubt that Mr John Major's guileless charm has won friends and influence over the past two days of summitry in London, not to mention votes from the viewers at home.

As Mr Larry Speakes, the former White House press spokesman, put it, the British prime minister has been "the new kid on the block" in what has been a daunting debut as host of a key international event.

The universal verdict has been, give or take a slip or two, "the kid done well". And when the next bunch of opinion polls sprout in the British press, an increasingly significant component of Tory support may well be attributable to Mr Major's performance.

Yesterday, as the G7's official business came to a close, the customary praise for the prime minister's chairmanship was significantly more fulsome than diplomatic protocol requires.

Already an ally, Chancellor Helmut Kohl exhibited something not unlike a mother's pride when he poured praise on his host.

It was, he said, "an unusually friendly summit". Then he added: "Because of the personal commitment of Mr Major, it was a particularly successful conference not only in substance but in human terms."

Not to be out done, Mr Brian Mulroney, the Canadian prime minister, used the distinctly unpolitical adjective of "wonderful" to describe the summit and its chairman.

Among the 4,000-strong international press corps, opinion was less prone to hyperbole. Some amusement was also had at a couple of Major slips, most of all his uncorrected declaration that the seven had agreed on the "spread" of nuclear weapons.

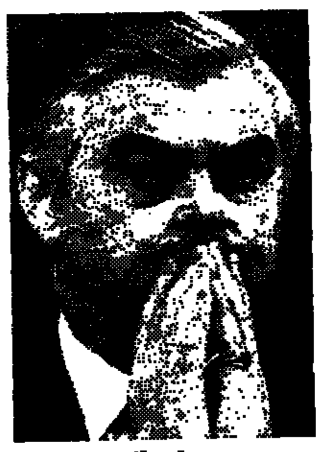
But the lack of any spectacular upsets and a smooth-running, if labyrinthine, communications operation, oiled by free food and drink, clearly made up for the so-called "mushroom" syndrome of being kept well away from the actual talks and largely in the dark.

One observer pointed out that while Mr Major may be widely perceived as "grey", this is clearly an asset for other leaders, so long overshadowed by the giant, and at times, stridently combative, figure of Mrs Thatcher.

"The light of Chancellor Kohl is definitely more brilliant because Mrs Thatcher is not here," one German summiteer remarked.

But if the non-attendence of Mr Major's predecessor added to the general cordiality of the occasion, politicians were also making plain that it had forced them out into the open. Where, previously, other leaders could hide their doubts on controversial issues behind those more forcefully put by the Iron Lady, each had now to come out and fight his own corner publicly.

After Mr Mikhail Gorbachev's presence, Mrs Thatcher's absence from the feast could arguably be one of the most significant new developments in the future of international summitry.



Lamont: setback

Recovery in UK yet to begin, says chancellor

By Peter Norman, Economics Correspondent

ECONOMIC recovery has yet to start in Britain, Mr Norman Lamont, Britain's chancellor of the exchequer, admitted yesterday, although he forecast it would begin in the second half of this year.

At a news conference after the summit, he noted that recovery was under way both in Canada and the US and that growth in France and Italy would be higher in the second half than had previously been expected.

Emergence of the US and Canada from recession would "be enormously beneficial" to Britain, said Mr Lamont. The recent depreciation of the European currencies against the dollar would be "an added impetus to recovery".

These factors were "thoroughly consistent with what I have said about our recovery, which is not yet under way, our recovery beginning in the second half of the year".

His remarks will be seen as a setback to his earlier hopes that the UK's recovery from its deep recession would be under way by the middle of this year.

Although he has always insisted that it is impossible to forecast the exact timing of the hoped-for recovery, he has been more optimistic in the past.

At the end of April he declared that recovery was "round the corner" and at various times since has said that there were "faint stirrings" of recovery in the UK economy.

US shrugs off pressure on greenhouse gas emissions

By Rachel Johnson, Economics Staff

SUMMIT progress on the divisive issue of global warming was held back by the US yesterday.

Leaders had only 10 minutes to debate the environment, between discussions on the Soviet Union, but none the less decided to offer firm financial support for Chancellor Helmut Kohl's idea for a pilot project to protect Brazil's rainforest.

The project, devised at the Houston summit last year, was costed by what G7 leaders regard as a steep \$1.6bn (£970m) over six years.

Yesterday's \$50m grant for the scheme's nine-month preliminary stage is only a fifth of the sum Brazil will need to implement the programme over the next two years. The funds represent the backing so avidly sought by Brazil, which is also contemplating financing the project through debt-for-nature swaps.

Although no figure appeared in the summit declaration, \$50m was cited by Mr Jacques Delors, European Commission president. The EC has already pledged \$15m towards the project.

Despite the lack of discussion on the environment, summiteers managed to fill up a quarter of the declaration with the subject. Mr John Major, the British prime minister, again stressed that the UN environment and development conference in Rio de Janeiro next June would be "immensely important".

On global warming it was the expected line-up of six against one yesterday, as the US resisted committing itself to targets and schedules to control greenhouse gas emissions.

Washington challenges scientific claim that carbon dioxide emissions contribute to global warming

The declaration was, accordingly, non-specific, simply stating that the G7 would aim to achieve "an effective framework convention on climate change, containing appropriate commitments" by the time of the Earth Summit in Rio. Britain argued for a special ministerial meeting before the Rio summit to break the deadlock over the US attitude to global warming.

Washington's tough stance has been maintained in the face of continual sniping by its six partners at the summit who maintain that, as the US contributes 23 per cent of global emissions, it should do something about it.

Mr Ruud Lubbers, Dutch prime minister, said yesterday that European members of the G7 had tried to put pressure on the US.

But Washington had challenged the scientific claim that carbon dioxide emissions contributed to global warming.

On biological diversity – protecting ecosystems and species – the G7 also failed to make a concrete commitment, talking instead of an acceptable framework convention.

The group's obvious reluctance for the issue to impede progress on biotechnology projects, as stated in the declaration, suggests that developing countries are unlikely to acquire copyright of indigenous genetic material under the convention.

There is also likely to be disappointment from the developing world over the vague references to environmental aid; the G7 would promote "mobilisation of financial resources".

However, the Canadian delegation was happy with concerns voiced over the oceans and marine resources.

There was also approval that the G7 has affirmed its Houston commitment for a framework convention on all types of forest.

Increase in level of debt write-offs

By Ivo Dawnay

MR John Major, the British prime minister, claimed yesterday the world's poorest countries would see "a substantial improvement" in debt relief terms after negotiations were completed within the Paris Club of sovereign creditors.

While the G7 failed to endorse fully Mr Major's proposals for the adoption of the so-called Trinidad terms – writing off two-thirds of debts of up to 22 countries – it emerged the summit had accepted that the level of write-offs should be raised.

According to Mr François Mitterrand, French president, the figure could increase from the 33 per cent agreed at the 1988 Toronto summit to 50 per cent and, in some cases, up to 80 per cent of a total debt estimated at \$30bn (£18.2bn).

The decision was welcomed by Mr Barber Conable, president of the World Bank, in a statement released last night. "This should help them in their efforts to achieve sustainable development and alleviate the hunger and poverty that currently blights the lives of millions of people," he said.

In the economic declaration, the summit leaders committed themselves only to "additional relief measures", leaving the final decision to the Paris Club.

There were reservations among the US and Japanese delegations.

The Trinidad terms were first outlined by Mr Major, when chancellor of the exchequer, at a meeting of Commonwealth finance ministers in the Caribbean last September.

Asked whether he was disappointed by the outcome, Mr Major insisted the summit was not the correct forum for taking a final decision on the issue.

"It is not for us, the G7, to make decisions that can properly be taken only in the Paris Club," he said, adding that the declaration, none the less, gave "a big push" towards greater relief.

Under Mr Major's initiative, countries that accepted International Monetary Fund restructuring programmes would be offered generous debt forgiveness on their liabilities to the Paris Club.

Tougher action promised in the fight against drug trafficking

By Rachel Johnson

THE Group of Seven yesterday called for action against money-laundering and on reducing drug-trafficking. The economic statement noted progress in the war on drugs since last year's Houston meeting but said co-operation was needed to cut production of heroin in Asia and its flow into Europe.

The statement said the G7 would increase efforts to reduce demand for drugs, combating the "scourge" of cocaine, and would pay increased attention to heroin, the main hard drug in use in Europe and Asia.

The summit unveiled a specific proposal, the customs transport co-operation initiative, which is aimed at improving the capacity of enforcement agencies to crack down on illicit drug movements without delaying legitimate circulation of people or goods.

Under the initiative, the G7 has asked the Brussels-based Customs Co-operation Council (CCC), which groups the customs organisations of 111 countries, to strengthen its co-operation with international trade associations and carriers, and to produce a report for the G7's summit next year in Munich.

Mrs Gillian Shephard, the UK customs minister, said she was delighted with this proposal, which she said would help law enforcement agencies target the movement of drugs before they arrived at their destinations. Advance information would be fed into computer databases, enabling legitimate shipments to be released more quickly and giving customs officers more time to spot suspicious cargoes.

It was also welcomed from the trade side. Sir Nicholas Hunt, for the General Council for British Shipping, said that more seizures would result if officials had improved access to documentation before shipments arrived in the country.

'Our shared objectives are sustained recovery and price stability'

THE following are extracts from the London economic summit declaration:

OVER the last year, some of our economies have maintained good growth, while most have slowed down and some gone into recession. But a global recession has been avoided. The uncertainty created by the Gulf crisis is behind us. We welcome the fact that there are now increasing signs of economic recovery. Progress has been made, too, in reducing the largest trade and current account imbalances.

Our shared objectives are a sustained recovery and price stability. To this end, we are determined to maintain, including through our economic policy co-ordination process, the medium-term strategy endorsed by earlier summits. This strategy has contained inflationary expectations and created the conditions for sustainable growth and new jobs.

We therefore commit ourselves to implement fiscal and monetary policies which, while reflecting the different situations in our countries, provide the basis for lower real interest rates. In this connection, continued progress in reducing budget deficits is essential.

We will encourage work nationally and internationally to develop cost-effective economic instruments for protecting the environment, such as taxes, charges and tradeable permits.

INTERNATIONAL TRADE

No issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round. It will stimulate non-inflationary growth by bolstering confidence, reversing protectionism and increasing trade flows.

It will be essential to encourage the integration of developing countries and central and east European nations into the multilateral trading system. All these benefits will be lost if we cannot conclude the Round.

We therefore commit ourselves to an ambitious, global and balanced package of results from the Round, with the widest possible participation by both developed and developing countries.

The aim of all contracting parties should be to complete the Round before the end of 1991. We shall each remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level.

To achieve our objective, sustained progress will be needed in the negotiations at Geneva in all areas over the rest of this year. The principal requirement is to move forward urgently in the following areas taken together:

- Market access, where it is necessary, in particular, to cut tariff peaks for some products while moving to zero tariffs for others, as part of a substantial reduction of tariffs and parallel action against non-tariff barriers.
- Agriculture, where a framework must be decided upon to provide for specific binding commitments in domestic support, market access and export competition, so that substantial progress in reductions of support and protection may be agreed in each area, taking into account non-trade concerns.
- Services, where accord on a general agreement on trade in services should be reinforced by substantial and binding initial commitments to reduce or remove existing restrictions on services trade and not to impose new ones.
- Intellectual property, where clear and enforceable rules and obligations to protect all property rights are necessary to encourage investment and the spread of technology.

Progress on these issues will encourage final agreement in areas already close to conclusion, such as textiles, tropical products, safeguards and dispute settlement.

Agreement to an improved dispute settlement mechanism should lead to a commitment to operate only under the multilateral rules. Taken altogether, these and the other elements of the negotiations, including Gatt rule-making, should amount to the substantial, wide-ranging package which we seek.

As we noted at Houston, a successful outcome of the Uruguay Round will also call for the institutional reinforcement of the multilateral trading system. The concept of an International trade organisation should be addressed in this context.

ENERGY

Nuclear power generation contributes to diversifying energy sources and reducing greenhouse gas emissions. In developing nuclear power as an economic energy source, it is essential to achieve and maintain the highest available standards of safety, including in waste management, and to encourage co-operation to this end throughout the world. The safety situation in central and eastern Europe and the Soviet Union deserves particular attention. This is an urgent problem and we call upon the international community to develop an effective means of co-ordinating its response.

CENTRAL AND EASTERN EUROPE

We salute the courage and determination of the countries of central and eastern Europe in building democracy and moving to market economies, despite formidable obstacles. We welcome the spread of political and economic reform throughout the region. These changes are of great historical importance.

Expanding markets for their exports are vital for the central and east European countries. We welcome the substantial increases already made in exports to market economies and we undertake to improve further their access to our markets for their products and services, including in areas such as steel, textiles, and agricultural produce.

THE SOVIET UNION

We support the moves towards political and economic transformation in the Soviet Union and are ready to assist the integration of the Soviet Union into the world economy.

Reform to develop the market economy is essential to create incentives for change and enable the Soviet people to mobilise their own substantial natural and human resources. A clear and agreed framework within which the centre and the republics exercise their respective responsibilities is fundamental for the success of political and economic reform.

We are concerned about the deterioration of the Soviet economy, which creates severe hardship not only within the Soviet Union but also for the countries of central and eastern Europe.

DEVELOPING COUNTRIES AND DEBT

Our steadfast commitment to helping developing countries, in conjunction with a durable non-inflationary recovery of our economies and the opening of our markets, will be the most effective way we have of enhancing prosperity in the developing world.

The poorest, most indebted countries need very special terms. We agree on the need for additional debt relief measures, on a case-by-case basis, for these countries, going well beyond the relief already granted under Toronto terms. We therefore call on the Paris Club to continue its discussions on how these measures can best be implemented promptly.

We note the key role of the IMF, whose resources should be strengthened by the early implementation of the quota increase under the Ninth General Review and the associated Third Amendment to the Articles of Agreement.

ENVIRONMENT

Internationally, we must develop a co-operative approach for tackling environmental issues. Industrial countries should set an example and thus encourage developing countries and central and east European nations to play their part.

The UN Conference on Environment and Development (UNCED) in June, 1992, will be a landmark event. It will mark the climax of many international environmental negotiations. We commit ourselves to work for a successful conference and to give the necessary political impetus to its preparation.

We aim to achieve the following by the time of UNCED:

- An effective framework convention on climate change, containing appropriate commitments and addressing all sources and sinks for greenhouse gases. We will seek to expedite work on implementing protocols to reinforce the convention.
- Agreement on principles for the management, conservation and sustainable development of all types of forest, leading to a framework convention. This should be in a form both acceptable to the developing countries where tropical forests grow and consistent with the objective of a global forest convention or agreement which we set at Houston.

We remain concerned about the destruction of tropical forests. We welcome the progress made in developing the pilot programme for the conservation of the Brazilian tropical forest, which has been prepared by the government of Brazil in consultation with the World Bank and the European Commission, in response to the offer of co-operation extended following the Houston summit.

NEXT MEETING

We have accepted an invitation from Chancellor Helmut Kohl to hold our next summit in Munich in July 1992.

AMERICAN NEWS

IBERO-AMERICAN SUMMIT

Cuba's President Castro and Spain's King Juan Carlos are among more than 20 leaders attending

Mexico hosts meeting to rebuild political bridges

By Rebecca Doulton in Mexico City

MORE THAN 20 Latin American leaders meet today in the Mexican city of Guadalajara, for a summit that will give Cuba's President Fidel Castro an important opportunity to build bridges with Latin America.

During the first two-day Ibero-American summit, staged in Mexico's second biggest city, President Castro will meet a new generation of democratically-elected Latin American presidents.

Mexico's President Carlos Salinas de Gortari is hosting the summit at a time when Latin America is facing the threat of trade blocs consolidating in Europe, Asia and the US.

The 23 heads of state and government from Central and Latin America, the Caribbean, Spain and Portugal, will discuss the challenges to their nations and promote the economic integration.

The presence of Mr Fidel Castro and the possibility of Cuba's re-entry to the Organisation of American States (OAS), from which it was expelled in 1962, has prompted Washington to encouraging participants at the summit to pressure Mr Castro for internal reform.

Although the US was not invited to the gathering, President George Bush's ambitious Enterprise for the Americas Initiative, launched in June 1990, which envisages a free trade zone stretching from Alaska to Tierra del Fuego, is on the summit's agenda.

The summit is scheduled to consider four reports; economic development put forward by the Inter-American Development Bank; social development by the Centre for Latam Studies; a proposition on education and culture by Unesco; and a reassessment of the International Law offered by Mexico, Brazil and Spain.

The participation of Spain and Portugal, including King Juan Carlos, is designed to emphasise the natural bridges these countries can provide for Latin America's penetration of the EC. Mexico will also want to reassure the rest of the region that the country is not solely preoccupied with its discussions with the US and Canada over a free trade pact.

In the first few months of this year various overlapping trade blocs have formed themselves on the Latin American continent. The Group of Three, which hopes to establish a free trade zone between Mexico, Columbia and Venezuela by July 1994 is making progress. Final details are also being worked out for Mexico's economic integration with Chile, Costa Rica and other Central American republics. Brazil, Argentina, Paraguay and Uruguay plan to remove all internal trade restrictions between themselves by 1994.

Other topics to be reviewed at the summit include Latin America's $425bn foreign debt, drug trafficking in the region, health and environmental problems. In future such summits will occur on a yearly basis. Spain will host the 1992 summit, designed to coincide with the 500th anniversary of Columbus discovering America, and Brazil will stage the 1993 talks.

Effort to escape from the time of cholera

Henry Hamman reports on an ambitious Pan-American plan to contain the disease

SINCE January, when the first cases were reported in Peru, the first cholera epidemic in the Americas in nearly 100 years has spread to seven countries. There have been 220,000 cases of the disease which has claimed an estimated 2,300 lives.

Thus far, the epidemic has hit hardest in Peru, Ecuador and Colombia, but additional cases have been reported in Chile, Brazil, Mexico and the US and is bound to spread further in the region.

Health officials meeting in Miami, under the auspices of the Pan American Health Organisation (Paho), have produced a plan aimed at containing the outbreak.

The plan calls for the spending of $610m for emergency and short-term control of the epidemic and $200bn for a 12-year programme of construction of water treatment and sewage plants across Latin America and the Caribbean.

Even if their ambitious long-term goals are met – which many of the officials doubt – they acknowledge that the proposed construction would only meet half the region's need for environmental sanitation.

Dr Carlos Guerra de Macedo, Paho's director, called the epidemic a symptom of Latin American and Caribbean poverty and of the failure of governments to invest in needed infrastructure.

Seventy-nine per cent of the region's urban population is served by rudimentary water systems and only 66 per cent have sewers. Even where there are sewers, there is almost no waste water treatment: only 5 per cent of the region's sewage is treated before being discharged back into the rivers and bays from which drinking water is drawn.

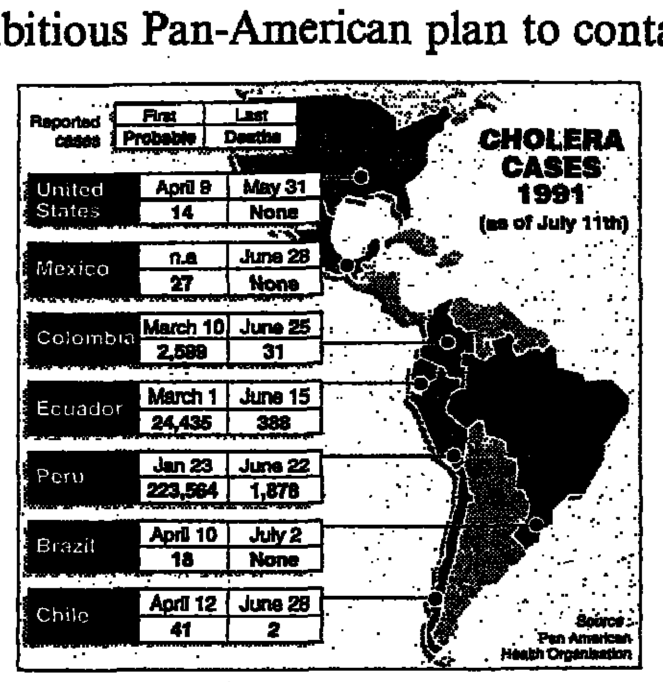
The epidemic itself has produced only a small upturn in the number of deaths in the region from diarrhoeal diseases. Even before cholera, 300,000 children were dying each year from other diarrhoeal diseases.

But participants at the conference said that the epidemic had produced a shock effect throughout the region. This may be due in part to the fact that adults are more susceptible to cholera than to the more common diarrhoeal diseases. The presence of cholera in the region has also worried economic planners who fear that foreign trade and tourism will be affected.

The Paho wants to use these concerns to get politicians and development authorities to agree to major new spending on water treatment and sewage.

While health officials accept that cholera will not be driven out of the region in the short term, they hope to be able to contain outbreaks. They also acknowledge that once people become used to cholera, the urgency of dealing with it as a health menace will die down.

The low mortality rate of this outbreak may also cause complacency.



Dr William Greenough, an epidemiologist from Johns Hopkins University in Baltimore, said the quick response to the epidemic in Peru had produced the first cholera epidemic where the mortality rate was contained at 1 per cent. Given the more than 200,000 cases in Peru, as many as 100,000 deaths could have been expected had it not been for extensive oral rehydration training in advance.

Oral rehydration is a simple technique for replacing the salts and fluids lost by the victims of diarrhoeal diseases. Since cholera victims die from dehydration, the prompt use of rehydration therapy often saves them.

The Peruvians are also credited with the production of a cheap, locally manufactured chlorimeter which can be used at home to test whether enough bleach has been added to water to kill cholera bacteria.

But much of the technology in the fight against the disease is antiquated. Diagnosis is based on century-old techniques which do not allow the identification of carriers. Researchers like Dr Greenough say biotechnology could offer new diagnostic tools.

Oral vaccines are under development, but testing could be speeded up and injectable vaccines repeated frequently.

Given the cost of treatment of a cholera victim (estimated at $200 in Latin America), the price of vaccine (about 50 cents a dose) represents important potential savings.

If there is hope on the technical front, there have been a number of failures in the public information programme.

Two months ago, when cholera broke out among Ecuador's Indians, the media campaign worked in the towns but failed in parts of the country where television and radio do not penetrate and where, in most cases, Indians do not understand Spanish.

In Colombia, health information has been translated into 16 Indian languages, but even so, officials say many remote areas are still without basic health guidance in dealing with cholera.

In countries which have yet to report cholera outbreaks there is official resignation to the eventual arrival of the disease, but also concern that doctors might not immediately recognise it when it arrives.

Mr Orville Nembhard, an official at the Jamaican Ministry of Health, said planners there viewed the anticipated arrival of cholera as a natural disaster like a hurricane. Plans were under way to cope, but "we know plans may go astray".

Mexican arrests over plan to sell $1bn in false bonds

MEXICAN police, aided by Interpol and the US Federal Bureau of Investigation, have broken an alleged fraud ring accused of trying to peddle almost $1bn in false Mexican foreign debt certificates, authorities said on Tuesday, Reuter reports from Mexico City.

Eight people, including the ex-mayor of a southern Mexican town, were arrested in Mexico following the discovery of the debt certificates at a printing plant in Chicago, a statement from the attorney general's office said.

The counterfeit bonds, with a total value of $914m, were printed in varying sums from $1.2m to $10m and were to be sold chiefly in the US and Taiwan, the statement said.

It added that none of the bonds had yet been put on the market.

The suspects were soliciting loans for the construction of seven casinos "on property that was not even their own" using phantom companies as supposed guarantees, the statement said.

Mr Arturo Cabanas Flores, ex-mayor of San Jeronimo, was one of the detained, the statement said.

'El Nino' weather phenomenon fear

WEATHER experts believe the devastating "El Nino" current, which flooded Peru and Ecuador and brought droughts to South-East Asia eight years ago, may be about to reappear, Reuter reports from Santiago.

"El Ninos" are sudden changes in weather patterns connected to the mysterious appearance of warm water currents off the coast of South America. The changes can be felt worldwide.

Scientists say rising water temperatures off the South American coast and changes in rainfall patterns in the Pacific basin indicate the freak climatic event may be setting in again. "There are signs that the El Nino phenomenon could be returning," Mr David Enfield, research oceanographer of the US National Oceanic and Atmospheric Administration (NOAA) told a meeting of weather experts.

An El Nino – Spanish for child – can weaken vital monsoon rains in India, cause droughts in countries as far apart as China and Australia and unleash floods in Latin America. Experts have been alerted by several unusual changes in climate in recent weeks. Snow fell last month in Chile's northern Atacama desert, one of the driest places on earth, and heavy rain released a mudslide above the Chilean port of Antofagasta, killing 116 people.

"There are a lot of signs out there and if this trend continues, there will be very little doubt in three or four months' time," said Mr Eugene Rasmusen, a founder of NOAA's Climate Analysis Centre.

One of the most serious El Nino events was in 1982-83. In Peru, floods destroyed roads and cut off the Pan American highway. The warm waters displaced cold water fish shoals to the south and ruined Peru's fish meal industry.

Altogether, the climatic changes caused a 10 per cent drop in the country's gross national product.

Bank of Japan chief calls for clear securities rules

By Robert Thomson in Tokyo

MR YASUSHI MIENO, the governor of the Bank of Japan, yesterday called for the introduction of "clear" rules on securities trading to prevent a repeat of the scandal of brokers compensating select clients for trading losses.

Japanese financial officials are now considering changes to securities regulations, and while Mr Mieno is in favour of clearer controls, voices at the Japan Chamber of Commerce suggested yesterday that it should be left to the securities industry to reform itself.

Meanwhile, the Japan Securities Dealers' Association decided to establish two committees to encourage reform. One committee, the Headquarters for Promotion of Industry Reform, will advise on policy options to improve investor confidence, and the other committee, whose members will include scholars and journalists, is designed to provide opinions from outside the industry.

The Ministry of Finance has already formed committees to review the system of "administrative guidance" and to examine ways of increasing the ministry's investigative powers. Ministry officials have traditionally "guided" the behaviour of securities houses, but weaknesses in this system are partly blamed for the stock scandals.

The ministry, which is ultimately responsible for proposing reforms, is examining whether more formal guidelines need to be introduced for the sake of "transparency". Mr Mieno is in favour of replacing the informal guidance with formal regulations, and also said yesterday that the industry must recognise the principle that investors are responsible for their investments.

Mieno: no credit shortage

Mr Mieno said the scandals would not do immediate damage to the economy, as capital investment and consumer spending remain strong. He said that while the growth in money supply has slowed, Japanese companies are not facing a serious credit shortage.

The securities industry is waiting to see if Japan's opposition parties will be successful in their call for the establishment of a committee of MPs to investigate the scandals and for executives at leading brokerages to appear before parliament to answer questions.

● The Ministry of International Trade and Industry (Miti) has filed a complaint with police against Japan Aviation Electronics Industry, an electronics subsidiary of NEC Corporation, for alleged illegal shipments of missile parts to Iran.

The ministry alleged that JAEI, a maker of navigation equipment for rockets and aircraft, exported flywheels for Iranian air-to-air missiles in violation of the Foreign Exchange and Foreign Trade Control Law.

Japanese companies are forbidden from exporting military-related technology to a country at war, and JAEI has already admitted that it shipped about 1,500 flywheels to Iran during the late 1980s. It is also alleged to have supplied navigation components for Iranian jets.

Miti conducted an investigation into the allegations, and plans to impose its own penalties on the company, while the police investigation is continuing. Japan's Defence Agency, which last year bought equipment valued at Y4.1bn (£18.3m) from JAEI, is also reviewing the company's status as a supplier.

Bankers cut more companies adrift

By Robert Thomson in Tokyo

JAPANESE banks yesterday reported that they had suspended business with 658 companies during the month of June, up 55.2 per cent from the same month last year, and that suspensions with property-related companies rose 171.9 per cent, reflecting the problems in that industry.

The Federation of Bankers' Associations of Japan said that the total liabilities involved jumped 175.3 per cent from June last year to Y163.8bn (£731m), while the number of suspensions increased for the ninth consecutive month.

The suspensions are generally blamed on the sharp increase in Japanese interest rates over the past two years, pressure from the Finance Ministry to be selective about lending to property companies, and the volatility of the stock and property markets.

● Toyota Motor and Nissan Motor, the leading Japanese car makers, both reported falls in their domestic sales for the first half of the year, with Toyota's sales down 5.2 per cent to 1.218m units and Nissan's sales down 6.8 per cent to 682,764 units.

Japanese car sales have softened after several years of surging growth, though most makers hope that a rush of new product releases in coming months will lift sales in the second half of the year.

Sihanouk elected to head council

By Yvonne Preston in Beijing

PRINCE Norodom Sihanouk has been unanimously elected president of Cambodia's Supreme National Council (SNC) which brings together the Vietnam-supported Phnom Penh government, its main guerrilla enemies, the Chinese-supported Khmer Rouge, and two smaller rebel groups.

The SNC is the centrepiece of a UN plan under which the world body would virtually run Cambodia during a period of disarmament before elections, while the SNC represented Cambodian sovereignty.

Prince Sihanouk told journalists that his official residence would be the royal palace in Phnom Penh, but he would never be king again.

Prince Sihanouk, speaking at the end of a two-day SNC meeting in Beijing, said there was no possibility the Khmer Rouge would again take power by force nor would its leaders, Pol Pot or Ieng Sary, ever be members of the government. The Khmer Rouge would have seats in the National Assembly but that did not mean they would dominate the political scene.

The prince said he would resign from his positions as president of the Cambodian National Resistance and president of the National Government of Cambodia. He would belong to no faction or political party, he said.

However, he expected to be elected as president of the Cambodian republic, following his presidency of the SNC.

There are still wide differences over the UN plan, most notably the Phnom Penh government's refusal to accept disarmament and demobilisation of its forces before elections.

It fears the Khmer Rouge would simply bury their weapons and emerge to fight again and is demanding guarantees be written into the UN plan to prevent a return to power of the radical group which ruled Cambodia in the mid-1970s.

Representatives of the five permanent members of the UN Security Council, China, the US, the Soviet Union, Britain and France, began meeting in Beijing yesterday in an intended overlap with the SNC meeting.

This is expected to give the Cambodian peace process further momentum.

Sihanouk: will live in the royal palace in Phnom Penh

NEWS IN BRIEF

Zambia faces crisis over its staple food

ZAMBIA faces the prospect of running out of its staple food, maize, by next January, a senior farming official said yesterday, Reuter reports from Lusaka.

Mr Ben Kapita, chairman of the Commercial Farmers' Bureau, said he expected a 1991 maize crop being harvested since April of 4m to 5m 90 kg bags. This is well below government estimates of 13m-16m bags and less than half of the amount needed to feed the nation, 10m bags (900,000 tonnes).

Mr Kapita blamed low output on low producer prices of 800 kwacha ($11) a bag offered by the impoverished government. More than half of Zambia's 7m people live in towns and eat heavily-subsidised maize meal. President Kenneth Kaunda's 28-year-old government faces its first multi-party elections in two decades in October and is reluctant to lift costly subsidies for fear of unrest. Two previous attempts sparked bloody urban riots.

Sri Lankan army and Tamil rebels locked in fierce battle

About 450 Tamil rebels and 31 soldiers have been killed in a fierce week-long battle for a strategic army camp in northern Sri Lanka, the state-run news agency said yesterday, Reuter reports from Colombo.

The agency, Lankapuvath, quoted official sources as saying 35 women rebels, including their regional leader, were among those killed. A column of troops sent by sea to relieve the camp at Elephant Pass, which has been under siege by the Liberation Tigers of Tamil Eelam for seven days, was advancing slowly with air support against stiff resistance, military sources said.

Elephant Pass links the Jaffna peninsula, a rebel stronghold, with the rest of Sri Lanka. The rebels began pounding the camp with mortar bombs and rocket-propelled grenades on July 10 from bunkers 200 metres away. The news agency said a rebel radio transmission yesterday gave the names of more than 300 Tigers killed as the seaborne troops advanced towards the camp.

Mugabe opponent set to return

Zimbabwean opposition politician, Mr Ndabaningi Sithole, will soon return home from seven years in the US to lead a campaign for greater democracy in the country, his party said yesterday, Reuter reports from Harare.

Mr Sithole, 71, and founder president of the ruling Zanu-PF party, went to the US in 1984, saying the government wanted to detain him to silence his breakaway Zanu-Ndonga movement in an attempt to create one-party rule. President Robert Mugabe's Zanu-PF abandoned plans to abolish multi-party politics last year in the face of strong political opposition.

UN warns on African famine

The pace of death among 30m famine-stricken Africans is about to quicken unless the international community moves fast to send more aid, the United Nations food agency said yesterday, Reuter reports from Nairobi.

"The food supply position is deteriorating at an alarming rate in many countries of sub-Saharan Africa," the UN's Food and Agriculture Organisation (FAO) said in its quarterly report on food supplies in Africa. "Only a major international relief effort in the coming months can avert further loss of life and widespread human suffering".

The report said Sudan, Ethiopia, Somalia, Mozambique, Angola and Liberia should be given urgent priority.

Maputo abolishes security police

Mozambique's parliament has abolished the country's powerful security police in the latest of a series of reforms and has agreed to set up a slimmed-down espionage and counter-intelligence service, Reuter reports from Maputo.

The People's National Security Service, scrapped on Tuesday night by the Assembly of the Republic (parliament), was created shortly after independence from Portugal in 1975 with sweeping police powers in addition to its role as an intelligence organisation. The force was not only empowered to investigate potential threats to national security but also to make house searches, detain suspects and decide whether an accused person should be tried or sent to a labour camp.

Progress at Somali peace talks

A peace conference aimed at ending fighting in Somalia agreed yesterday to discuss the setting up of a broad-based government, the unity of the country, and the future of the former dictator, Mr Mohamed Siad Barre, Reuter reports from Djibouti.

Fighting has devastated Somalia since the United Somali Congress (USC) seized the capital Mogadishu in January and ended Mr Barre's 21-year rule.

Since fleeing Mogadishu, Mr Barre has been living in western Somalia protected by loyal members of his small Marehan clan. It took more than two days of talks for the six factions meeting in neighbouring Djibouti to agree on what they should include on the agenda.

Pakistan unveils battle tank

Prime Minister Nawaz Sharif unveiled Pakistan's first locally-made battle tank yesterday, calling it a great feat towards self-reliance in defence production, Reuter reports from Islamabad.

The MBT-2000 P-90 tank, named the al-Khalid, has been conceived, designed and manufactured in collaboration with China. Mr Sharif delivered the tank's prototype to the army for trial at the Chinese-aided factory at Taxila, 30km west of the capital Islamabad. Mr Sharif used yesterday's ceremony to indirectly criticise the US for cutting off military and economic aid to Pakistan since last October over a nuclear row.

More than 60 die in Punjab crackdown

By K.K. Sharma in New Delhi

MORE THAN 60 people have been killed in the last two days as Indian security forces have clamped down on Sikh militants in the border areas of Punjab.

The operations are continuing despite an army withdrawal from Punjab border districts last month and add to the uncertainty over elections in the state.

Elections to choose 13 members of parliament and form a new state legislature were due to have been held on June 22 but were abruptly postponed a day before.

The elections are now due to be held on September 25 but the increasing militancy in the state combined with intensified operations by security forces suggest that a further delay is likely.

The Congress party, which has formed the new Indian government after the recent parliamentary elections, had boycotted the Punjab poll on the grounds that it believed a fair and free poll was not possible there.

Two parliamentary candidates and 21 state legislature candidates were killed by militant groups seeking an independent homeland during campaigning in the state.

Postponement of the elections was strongly criticised by opposition parties, particularly the Hindu revivalist Bharatiya Janata Party (BJP), which had hoped to add to its strength in parliament by picking up some urban seats in Punjab. Nearly half the population in the state is made up of Hindus.

Mr P.V. Narasimha Rao, the prime minister, is expected to hold talks with opposition leaders on the matter before a final decision is taken. In his reply to the debate on the vote of confidence earlier this week, he promised to try to find a consensus on all major issues by holding consultations with the opposition parties.

Saddam urges Iraqis to bury differences

PRESIDENT Saddam Hussein, ignoring US threats of a new military strike, yesterday urged Iraqis to forget their differences and support multi-party politics, Reuter reports from Baghdad.

In a national day address, he denounced the United Nations trade blockade as a plot to destroy Iraq and its people. He made no mention of the row with the UN over Iraq's nuclear secrets or US threats of bombing raids unless it reveals all.

Shunning the defiant "Mother of all Battles" rhetoric that marked the run-up to the Gulf war, Mr Saddam urged Iraqis "with all their different ideals and political trends" to forget their differences and unite to rebuild the nation.

"We are soon going to enter the phase of experiencing the principle of a multi-party system with its open doors," he said in the speech, broadcast on television and radio.

"Let us all work together to continue the march of reconstruction of a great and prosperous Iraq within the framework of democracy and national unity."

He said the multiparty law passed by the national assembly and awaiting ratification by the ruling Revolution Command Council would usher in a new phase in the life of Iraq's 18m people.

The tone of his address, which marked the 23rd anniversary of the 1968 revolution that brought the Ba'ath Party back to power, was in stark contrast to last year when he angrily accused Kuwait of economic sabotage.

He portrayed the Gulf war as a battle of good against evil, but there was no talk of retaliation or armed resistance.

Chinese politburo reviews devastation caused by floods

By Yvonne Preston in Beijing

CHINA'S politburo has been meeting in emergency session against a background of the devastation in lives, crops and property wrought by natural disasters this year.

Chaired by the general-secretary of the Chinese Communist Party, Jiang Zemin, the Party's most powerful body is reviewing the damage and heavy economic losses caused by one of the country's worst disaster years.

Figures released by the state flood control headquarters in Beijing indicate that 2,078 people have been killed by the weather this year, of which 1,729 died in the recent floods. A total of 39,000 people have been injured. China has sent more than 32,000 medical workers to the worst hit provinces, and is expediting delivery of food and relief supplies to the area.

Direct economic losses as a result of flooding are calculated at 39.8bn yuan ($7.5bn).

Israeli soldiers killed in southern Lebanese village

By Lara Marlowe in Marjayoun, southern Lebanon and Agencies

THREE Israeli soldiers including two officers were killed in clashes with guerrillas in southern Lebanon early yesterday, the Israeli army said.

The soldiers were killed in the village of Kfar Houneh, after the Israeli army sent in troops and armour to the nearby Christian Lebanese town of Jezzine in a move apparently calculated to obstruct Lebanese government efforts to regain control of the town. The town is 11 miles east of Sidon and outside the self-declared Israeli "security zone".

The Israeli military said the soldiers were killed while on patrol between Jezzine and the security zone. The guerrillas they clashed with were Shi'ite Moslem fundamentalists, the army said.

Within hours Israeli warplanes bombed bases of the Shi'ite Moslem fundamentalist movement Hizbollah (Party of God) close to the village.

The air raid, Israel's 14th of the year, was its first show of force since the Syrian-backed Beirut government moved thousands of troops towards the Israeli border to extend state authority and prevent guerrilla raids.

The Israeli aircraft hit several Hizbollah guerrilla bases on mountain slopes east of the town of Jezzine, which has effectively been held by Israel and the allied South Lebanon Army (SLA) since 1985.

The position of Jezzine in mountains between Palestinian concentrations in Sidon and the pro-Iranian Hizbollah-held lower Bekaa valley make it a key observation post and an obstacle to the free passage of anti-Israeli guerrillas from the Bekaa to the coastal area.

> President Elias Hrawi's cabinet had announced its intention of taking the town at the beginning of July

About 3,000 SLA militiamen and 1,000 Israeli soldiers patrol the 15 mile deep zone set up in 1985 when the Jewish state withdrew the bulk of its 1982 invasion forces. Others hold a corridor leading north to Jezzine.

Of the Israeli ground forces deployed in Jezzine, Major General Antoine Lahd, commander of the Israeli-backed SLA said: "I myself requested the Israeli forces to move openly into the area so that everyone could see them."

The show of force includes construction of a small base with five self-propelled 155mm howitzers – all pointed north towards Lebanese army units beyond Jezzine – a Merkava tank and an M113 armoured personnel carrier under the umbrella pines at Rihane, just south of Jezzine.

Gen Lahd said the deployment was intended to save the Lebanese government from "a miscalculation – so they can be assured if need be, the Israelis will be back in Jezzine".

President Elias Hrawi's cabinet announced its intention of taking the town at the beginning of July, when the Lebanese army began disarming Palestinian guerrillas in Sidon.

"I do not fear the result of a confrontation with the Lebanese army," Gen Lahd said, claiming that his 3,300 strong militia could defend Jezzine against the 12,000 Lebanese troops deployed this month in southern Lebanon. "But the presence of the Israelis may be a deterrent against clashes between the Lebanese army and the SLA." Israel keeps 1,208 troops in southern Lebanon.

The Lebanese army has antiquated armour and no air cover. Its only anti-aircraft artillery are captured 200 low-calibre pieces.

Right wing confident Shamir will not bend on peace talks

By Hugh Carnegy in Jerusalem

EXTREME right-wing members of Israel's coalition government said yesterday they were confident Mr Yitzhak Shamir, the prime minister, would not give in to pressure for concessions on US Middle East peace proposals, following their acceptance by Syria.

Meanwhile, President Hosni Mubarak of Egypt flew to Damascus for talks with President Hafez al-Assad to co-ordinate their positions before Mr James Baker, the US secretary of state, starts a regional shuttle in Syria tomorrow.

Mr Baker, encouraged by Syria's positive stance, will try for the fifth time since the Gulf war to turn into reality plans for a Middle East peace conference which would raise the curtain on Arab-Israeli negotiations on bilateral affairs and the Palestinian issue.

After meeting Mr Shamir yesterday, Ms Geula Cohen, a junior minister from the Tehiya party, said she and her colleagues were impressed by Mr Shamir's commitment to conditions he has laid down to the US.

These are that the UN will have no role in the negotiations, that an opening regional conference will have no recurring function and that the Palestine Liberation Organisation will have no representation.

Repeating threats from Tehiya and two other right wing parties to bring down the government if such conditions were broken, Ms Cohen said: "He knows that this government ... came about in order to form a government which won't surrender to pressures aimed at the capitulation of Israel."

> **Mr Shamir could turn to opposition Labour which supports the US proposals to end his reliance on the extreme right**

Mr Rehavam Ze'evi, leader of Moledet, another of the right wing coalition factions, said: "I'm not worried by the Syrian 'yes' because I trust the prime minister."

Mr Shamir could turn to opposition Labour support for the US proposals to end his reliance on the extreme right if he chose to follow Washington's entreaties – as his predecessor Mr Menachem Begin did over the Camp David accords with Egypt in 1979. But many observers believe he would prefer to allow the government to fall and face early elections rather than make big concessions.

In one conciliatory gesture, Israel disclosed yesterday moves to curb the army's authority to impose curfews and other repressive measures in the West Bank and Gaza. The timing of the disclosure appeared to be linked to Mr Baker's visit.

The US has long pressed for an easing of Israel's tough policies against the 42-month intifada or Palestinian uprising in the occupied territories which have been condemned as a violation of Geneva Convention provisions against the use of collective punishment.

Officials said the latest moves, which will remove the authority from local field commanders to impose curfews on whole towns and cities and to demolish houses as punitive measures, were in line with a new strategy to ease conditions for the general population, while concentrating army efforts on activists.

■ Israeli soldiers broke the legs of two Palestinian boys during clashes in Idna village near Hebron in the occupied West Bank yesterday Palestinian sources said, Reuter reports from Jerusalem. Elsewhere in the Hebron area, troops shot and wounded four other Palestinians, the sources said.

Assad's move, Page 14

WORLD TRADE NEWS

Central American grain tariffs to go

By Tim Coone

TARIFF barriers to trade in basic grains in the Central American region are to be eliminated by the end of this year, under decisions taken this week at a presidential summit in El Salvador.

In addition, duties on all agricultural produce are to be abandoned by June 1992 as part of measures to accelerate the pace of trade liberalisation in the area. These will apply only to produce coming from the countries within the Central American isthmus but they are expected to make a major impact on regional trade and economic growth. Agricultural output accounts for about 25 per cent of the region's GDP.

The presidential summit being held in San Salvador is the tenth of its kind since 1986. Efforts were focused then on attempting to prevent the spread of civil wars in the region and to bring an end to the conflicts in Nicaragua, El Salvador and Guatemala. With the peace process now well advanced, the focus of successive summits is shifting increasingly to economic themes, in particular the issues of trade liberalisation and economic integration.

Inaugurating the summit, President Alfredo Cristiani of El Salvador said "the challenge of integration for development is inherent to the survival of democracy [in Central America]".

For the first time Panama has joined the other five Central American countries (Nicaragua, Guatemala, Costa Rica, Honduras and El Salvador) as a full participant to the summit. Mr Guillermo Endara, the Panamanian president, said: "We are no longer observers. We will now be active participants in the integration process." He said Panama's banking and financial services industry would provide a vital economic tool to the other Central American countries.

He also emphasised that Panama's integration would be "gradual" as its strong services sector but weak agricultural and industrial sectors set it apart from its neighbours on the isthmus. Serving as a regional entrepôt, Panama's import duties on consumer durables are also significantly lower than in the other five countries, and it is likely that for Panama's economic incorporation into Central America to be successful, the other countries will have to lower import duties in line with Panama.

A framework free-trade agreement between Central America and Venezuela is also to be signed at the summit, similar to agreements in place with Mexico and Colombia.

The six presidents will also participate in a wider Latin American summit starting in Guadalajara, Mexico, today. Economic integration is expected to be high on the agenda.

President Endara of Panama, which is now a full summit participant

Americas initiative translates slowly into action

IT has been a year since President George Bush sent a message of hope to the debt-ridden countries of Latin America, writes Nancy Dunne in Washington. His Enterprise for the Americas Initiative (EAI) promised debt reduction, investment and free trade in exchange for free-market policy reforms.

It was an alluring scheme even though the bilateral debt he was prepared to write down was only $12bn out of the $429bn (£261.5bn) owed. The EAI was a triumph of timing which promised rewards for the sort of reforms the Latin Americans had already begun.

The initiative offered market access to Latin American countries at a time when they expected the opposite as US protectionist sentiment grew; it promised new investment while US business seemed entranced by the profit potential of eastern Europe and a single market in the European Community. The initiative, said Mr Richard Feinberg, executive vice-president of the Overseas Development Council, a Washington think-tank, was "appropriate" for the "age of diminished expectations, where government can set the terms of discourse, but provide only marginal material support".

Events have moved slowly although there has been movement: negotiations have begun on a free-trade agreement (FTA) in North America, the first step towards the president's vision of an agreement for the western hemisphere. "Framework" agreements have been signed with 16 countries, as well as the southern common market of Argentina, Brazil, Paraguay and Uruguay.

Chile, the region's earliest market reformer, has been named next in the line-up for an FTA, with a decision on whether to go ahead due by next December. Chile has also been granted the first EAI debt reduction and investment package. The components are:

- A 40 per cent reduction on Chile's food credit debt to the US, lowering the total from about $39m to $23m;
- Negotiations with the US for an Environmental Framework Agreement. This will allow all interest payments on the new, reduced debt to be paid in local currency and channelled into an environmental fund for Chile.
- A $150m loan from the Inter-American Development Bank (IADB) through its new investment sector programme designed to tie in with the EAI.

There has also been progress towards raising the $1.5bn from the US and other western industrialised nations for the creation of an investment fund proposed by Mr Bush. The fund is intended to support privatisation efforts, the retraining of workers and help small business gain access to capital.

However, although Congress has been long on praise for the programme it has been short on action. Of all the trade, food and foreign aid credits the president wants to make available for debt reduction, only forgiveness on some of the food debt has been authorised. But bills granting reduction on the rest are moving through both Houses.

Thus far, the initiative has been useful in providing Latin America with a psychological lift. The downside could come if the US fails to meet the expectations it has raised, according to Mr Peter Hakim, staff director of the Washington-based think-tank, Inter-American Dialogue.

The EAI could promise a "pot of gold at the end of a rainbow" which does not exist, he said. Or it may strengthen the hands of reformers with the promise that austerity measures will yield real rewards.

Cannon signs Slovak machinery contract

By Ariane Genillard in Prague

CANNON Engineering Technologies, a subsidiary of the US-based multinational group Cannon Industries, has signed a contract with two arms plants in Slovakia for the production and sale of civil heavy machinery.

The companies, VAB Banovce and PPS Detva, part of the Czechoslovak military complex, will soon expand output of axles and front end loaders, using Cannon designs.

Slovak arms factories have been looking for ways to phase out the military part of their production following the federal government's decision to diminish sharply Czechoslovakia's defence sector.

Mr Christopher Cannon, president of Cannon Industries, did not rule out the possibility of an equity participation in the Slovak companies soon. Cannon has also approached the heavy machinery division of the Czech company Skoda-Plzen and Synthesia Semtin which manufactures the plastic explosive called Semtex.

Synthesia Semtin received permission to resume its exports of the explosive last month Exports of plastic explosives such as Semtex, which are often used by terrorist groups, were banned in Czechoslovakia at the end of 1989.

But Mr Ivan Tocek, head of the authorisation department in the foreign trade ministry, said Semtex would be used for industrial purposes only and that its export respected all regulations set by the March 1991 Montreal convention on the sale of explosives.

Mitsubishi in Soviet deal

MITSUBISHI Corporation has signed a contract to build a plant in the Soviet Union for making parts for sewing machines, the Japanese trading house said yesterday, AP-DJ reports from Tokyo.

Most of the plant equipment will be shipped from Japan.

The new plant will produce parts for up to 10,000 industrial-use sewing machines annually. It was ordered by the Soviet defence ministry, which has been trying to divert some military production facilities to civilian uses, the company said.

The new plant will be located in a munitions production centre in Azov, in the Russian Republic.

The cost of the plant export will total about Y680m (£3m).

Dubai 'village' at hub of the globe

Cargo transhipment complex will help win new sea/air business, writes Michael Terry

A $75m cargo village due to start operating at Dubai International Airport next week marks the latest stage in the emirate's multi-million-dollar plan to become the leading freight hub of the Middle East.

The village was designed and built by a multi-national group led by US construction consultants International Bechtel and including Lufthansa's cargo handling consultancy.

An advanced transhipment facility has been designed to increase the efficiency of Dubai's growing sea/air traffic of garments and high-value consumer goods between Far-Eastern manufacturers and European retailers.

The Dubai government is hoping to win share from other transhipment hubs as Hong Kong, Singapore, Bombay, Seattle, Los Angeles and Vancouver.

Combining sea and air transport, sea/air takes on average half the time of sea transit and is 30 per cent cheaper than direct airfreight.

However, a row has erupted over the office and warehouse rentals, handling charges and surcharges being quoted for the village by Dubai's department of civil aviation (DCA).

Disgruntled forwarding agents, representing more than half the freight business at the airport, say the charges could price the facility out of the market. They are delaying final contracts and calling on the DCA to review its policies.

Managers claim they will be forced to divert business to neighbouring UAE airports at Sharjah, Abu Dhabi and Fujairah, where costs are lower. Most plan to reduce space requirements at the village by up to 50 per cent.

Sultan Saeed bin Nasser, director of the cargo village, said: "We have dropped office rates by nearly 25 per cent and warehouse rates by a third. Our facilities are superior to those at the discounted airports. We are reviewing our charging policies for charter flights."

Dubai, strategically located at the southern end of the Gulf, has for years provided a red-tape-free hub linking the Far East, Middle East, Indian subcontinent, Africa and Europe. Fifty-three scheduled airlines call at its airport and 120 shipping lines visit its seaports. And Dubai is already rated second after Seattle in the growing sea/air trade.

Sultan Ahmed Bin Sulayem, chairman of the Dubai ports Authority, said Dubai had significantly more available capacity than the competition who are prone to congestion and delays. "We have the most up-to-date facilities and can charge lower rates. Our commercial environment is far less obstructive," he said.

The late ruler, Sheikh Rashid bin Saeed Al Maktoum, built two seaports – Port Rashid and Jebel Ali, the world's largest man-made deep-water port – with a total of 102 berths. He invested Dubai's oil riches in a six-lane road network providing good communications between the port and the airport.

In May, the two ports were combined to form the Dubai Ports Authority. It expects to handle well over 2m TEUs (Twenty-Foot Equivalent Units) by the year 2000.

Over 300 companies have moved into the 100 sq km industrial free zone at Jebel Ali, which allows 100 per cent foreign ownership and repatriation of capital and profits and grants exemption from all import duties. On site are the regional distribution warehouses for Sony, Matshushita, Aiwa and Citizen of Japan.

Gillette and Johnson & Johnson use third-party contractors at Port Rashid to run quick response regional distribution centres for markets in Iran, the Arabian peninsular, the Indian subcontinent, Turkey and Africa. Honda and Volvo use contractors for pre-delivery inspection and distribution in the UAE.

UK electrical and camera retailers Dixons use the sea/air transit facility for urgent deliveries and cameras from the Far East. Mail order houses, GUS of the UK and Otto Versand of Germany also use the facility.

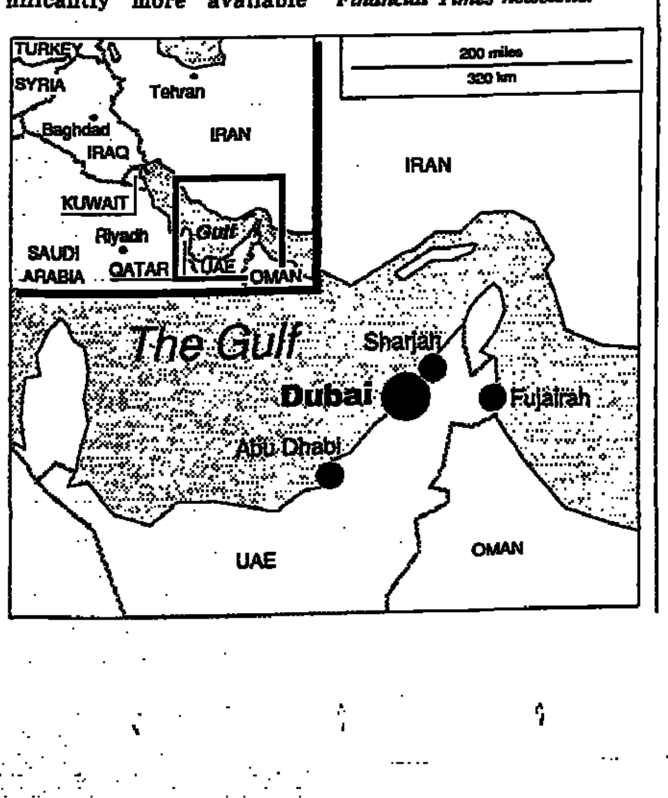
The 300,000 sq m air cargo village complex is designed to handle 250,000 tonnes of cargo a year by 1997 and is capable of expanding to 450,000 tonnes.

Within three hours containers arriving at the seaports are off-loaded, trucked and repacked into air container and pallets ready for air lift.

Sultan Saeed bin Nasser said the cargo village had 15 years to recover its costs. For flexibility it employs a semi-automated handling system. It included generous space for frozen goods, chilled products and hazardous goods, including radio-active items.

Import and export procedures are being brought under the control of one government agency to speed up clearance.

Michael Terry is editor of European Freight Management, a Financial Times newsletter



PARLIAMENT

Treasury select committee launches inquiry

By Ralph Atkins and Ivor Owen

THE MOUNTING concern – and fascination – among backbench Conservative and Labour MPs about the unfolding BCCI affair surfaced in tangible form last night with the inquiry launched by the Treasury select committee.

The cross-party group agreed unanimously to call Mr Robin Leigh-Pemberton, the governor of the Bank of England, next Tuesday. Even those sceptical of the value of high-profile sessions – it is certain to be televised – admit that the Commons committees have a role to play. Subsequent inquiries by the committee might involve examining the role of brokers acting for local authorities and the operation of the 1987 Banking Act.

The financial transactions of councils – strictly the responsibility of the Commons environment committee – might also be examined, particularly if there were implications for the banking system.

Mr Norman Lamont, the Chancellor, and Mr Leigh-Pemberton will today meet cross-party delegations to answer questions about the action they have taken, and the action they propose to take in either rescuing the bank or helping depositors.

Mr Keith Vaz, Labour MP for Leicester East, has called for a public inquiry into the affair and an increase in the funds available under the depositor protection scheme.

Similarly, Mr Michael Knowles, Conservative MP for Nottingham East, is anxious to see the government helping small businesses harmed by the Bank's action. He welcomed the inquiry but said it was only a first step. "Will they answer all the questions being asked? If they don't, people will go on wanting answers."

However, Mr Gerald Howarth, Conservative MP for Cannock and Burntwood, said there must be no question of extra Treasury money, "with the caveat that if BCCI's assets can be got to work – and there may be some modest cost involved – then that may be sensible for businesses which are solvent and would otherwise be trading normally".

In the Commons yesterday, Ms Marjorie Mowlam, Labour's City spokesman, referred to a report in yesterday's Financial Times that the Bank received a auditor's report on suspected fraud and corrupt banking practices at BCCI in October 1990 – nine months before the Bank took action.

She called on Mr John Maples, economic secretary to the Treasury, to clarify his earlier statement that a report by Price Waterhouse given to the Bank on June 27 "provided the first evidence of fraud".

Earlier, Mr Ian Lang, the Scottish secretary, said that the Bank could not have acted more speedily to close BCCI. When questioned about the losses suffered by the Western Isles council, he said: "The Bank of England acted at the proper time, and indeed at the earliest possible time".

The bottom line: a woman weeps after learning that Bank of Credit of Commerce, Hong Kong, is to be liquidated and that she will lose her £50,000 savings. Other outraged depositors were involved in clashes with police.

ABU DHABI INITIATIVE

Middle East and S Asian branches may be salvaged

By Farhan Bokhari in Karachi and Victor Mallet in London

ABU DHABI is considering the idea of salvaging the Middle Eastern and South Asian part of the BCCI empire by taking over and operating various BCCI branches in the region in defiance of the liquidators in Europe and Grand Cayman.

Bank of Credit and Commerce (Emirates), the United Arab Emirates affiliate of BCCI, has already inquired about the possibility of buying three BCCI branches in Pakistan and is said to have been given the green light by the State Bank of Pakistan.

BCCI and BCC(E) officials in Abu Dhabi are also expecting a takeover of BCCI's eight UAE branches, although it is unclear whether this would be carried out by the UAE central bank or by BCC(E), locally incorporated and due to change its name. Some BCC(E) officials do not want their bank to become a new worldwide holding company.

Abu Dhabi's plans are still at an early stage but they are motivated by the desire to protect UAE depositors and to resurrect the Middle East and South Asian parts of the bank, which are said to make profits of $150m-$200m a year.

"We can salvage the Middle East and South Asia and leave them [the Bank of England and other regulators] to sort the rest out," said one banker in the BCCI group yesterday. "The liquidators are politely given a cup of coffee and told their laws don't apply here."

While BCCI in Karachi would not confirm that a wider move beyond Pakistan was under consideration, one Karachi banker said that BCC(E) was considering buying branches in Bangladesh, Sri Lanka, India and the Maldives.

BCC(E) managers and central bank officials say the sale of the Pakistani operations may require a settlement with the receivers so no claims are later made on the bank.

WESTERN ISLES

Council reinstates finance director

By James Buxton

WESTERN ISLES Council, which lost £23m with BCCI, yesterday reinstated Mr Donald Macleod, its finance director, only five days after he was suspended over the affair.

The decision, which angered some councillors, was taken by Mr George Macleod, the council's chief executive, who on Tuesday survived an attempt by councillors to suspend him.

Council officials explained that the finance director had been suspended pending an internal inquiry. On Tuesday, however, the council voted to replace that inquiry with an external one, to be conducted by Professor Alan Alexander, a local government specialist at Strathclyde University.

The original grounds for the suspension no longer stood, the officials argued, adding that Mr Donald Macleod was needed to assist Prof Alexander's inquiry, which begins next Monday, and to keep council business going.

On Tuesday the council voted to ask the Scottish Office to allow it to borrow up to £24m next year to replace the missing £23m plus interest that would have accrued, with the government funding the interest charges through the revenue support grant.

HONG KONG

Government acts to stop run on banks

By John Elliott in Hong Kong

HONG KONG'S government yesterday stepped in to try to prevent a run on the colony's banks as the BCCI crisis led to clashes between police and demonstrators.

The government injected HK$60m (£766.2m) into the interbank market and arranged standby facilities for two small banks that came under pressure.

The potential crisis worsened when the government announced that it was putting Bank of Credit and Commerce Hong Kong (BCCHK), a 99 per cent-owned local subsidiary of BCCI Holdings (Luxembourg) SA, into liquidation.

Hundreds of BCCHK depositers clashed with police in emotional confrontations outside the colony's legislative council. Ten people were arrested.

Elsewhere, depositors queued yesterday to withdraw savings from the International Bank of Asia and the Dao Heng Bank. Both banks are partly owned by Middle East interests.

Mr Joseph Yam, acting secretary for monetary affairs and director of the colony's exchange fund, said last night that the colony's banking system "remains sound" and would be supported by the exchange fund.

He attacked un-named, "totally irresponsible people" for spreading "malicious rumours" that the two banks faced difficulties. The exchange fund was prepared to place loans on commercial terms with banks that faced a run from depositors.

Yesterday afternoon the fund increased the liquidity in the banking system from HK$480m to HK$540m and arranged standby credits for the two banks in case they needed help to cope with the run on their deposits.

Both banks issued statements denying rumours about their liquidity. They were backed up by top government officials, including Mr David Carse, banking commissioner.

The government has decided not to use the exchange fund to bail out BCCHK. Mr Yam said it would be wrong to use Hong Kong's public money because BCCHK's troubles stemmed from events outside the colony. The bank's operations were suspended by the banking commissioner on Monday last week.

Since then, the government has unsuccessfully tried to act as a broker with potential purchasers. Those interested have included the Hong Kong-based Bank of East Asia and Development Bank of Singapore.

The legislative council's finance committee will tomorrow consider plans for the liquidator to pay off depositors at up to 25 per cent of their deposits, subject to a limit.

TOKYO

Bank of Japan probes branch

By Steven Butler

THE BANK of Japan yesterday began an inquiry into the assets and liabilities of the Tokyo branch of BCCI, Mr Yasushi Mieno, the bank governor, said yesterday. The inquiry was expected to conclude today.

Mr Mieno said that the central bank lacked legal authority to freeze the assets of BCCI, and could take no direct action when informed by the Bank of England 11 days ago about international action against the bank.

BCCI's Tokyo branch voluntarily closed its doors to business on Monday July 8, after informing the Ministry of Finance and receiving permission from it to do so.

The Bank of Japan refused to say why it had taken so long to take a closer look at BCCI's affairs.

The central bank's authority to investigate BCCI was based not on statute but on the contractual business relationship between the two institutions.

The Ministry of Finance has statutory authority to investigate local branches of foreign banks to determine their soundness. The ministry refused yesterday to say whether it had launched an investigation. The extent to which the ministry and the Bank of Japan were co-ordinating their actions was unclear.

WORLD ROUNDUP

Payments to executives highlighted

US: CLAIMS of payments totalling $50m (£30.4m) given to a small number of senior executives at BCCI to ensure they would not disclose details of years of falsified profits and disguised losses, were reported in The Wall Street Journal yesterday.

Former bank officials and associates allege that some $30m of the payments went to Mr Syed Ziauddin Ali Akbar, a top BCCI trader, in 1988, two years after he left his position as head of treasury operations in London. They also claim Mr Akbar took internal documents with him on leaving.

Such payments may help explain why years of unorthodoxy at BCCI Holdings (Luxembourg) – involving massive non-performing loans and undocumented deposits – went undetected by regulators.

Mr Akbar, later convicted in London of money-laundering offences, could not be reached for comment.

AFRICA: The African Development Bank's operations will be unaffected by the BCCI affair, an official said yesterday. AfDB's exposure was "minimal", limited to an $11.9m deposit in BCCI's Paris branch. AfDB's investment portfolio is valued at $1.75bn, and its authorised capital at $19.4bn.

INDIA: The Bombay High Court has appointed the State Bank of India as provisional liquidator for the Bombay branch of BCCI in a move to hasten relief for its 7,000 beleaguered depositors. The Bombay branch was shut down on July 6, but the Reserve Bank of India, the central bank, assured full protection to all local deposits.

CLOSURE EVIDENCE

Full PW report is passed to bank

Raymond Hughes, Law Courts Correspondent

BCCI WAS yesterday given the Price Waterhouse report that led to its closure by the Bank of England.

The accounting firm's report forms part of the evidence in support of the Bank of England's petition for the compulsory winding-up of BCCI, due to be heard by the High Court on Monday.

On Tuesday, the Bank had offered BCCI a copy of the report with parts blanked out. BCCI's lawyers went to court yesterday to ask to be allowed to inspect the court's file on the case, which includes the full report. However, just before the hearing they were handed the unexpurgated document.

Mr John Chadwick QC, for BCCI, told Sir Nicolas Browne-Wilkinson, the Vice-Chancellor – the senior Chancery judge – that he also represented a BCCI director, whom he did not identify, and the government of Abu Dhabi. He said it had been impossible for them to prepare evidence or decide what stance to adopt in relation to the petition until they received the full document.

Mr Gabriel Moss QC, for the Bank of England, said the report had been handed over without any conditions imposed as to the use BCCI and Abu Dhabi could make of it – but, he added, "obviously it would not be sensible for them to leak it to the press".

Mr Moss said the Bank of England was prepared to give copies of the document, "with one or two very sensitive areas blanked out", to BCCI creditors.

DEPOSITORS' CAMPAIGN

UK national action group for victims to be launched today

By Chris Tighe and Khozem Merchant

THE UK's first national action group for BCCI victims will be launched today. Hundreds of BCCI individual depositors and representatives of at least three local authorities that have lost millions of pounds after the bank's closure will attend the meeting at Manchester town hall.

The initiative is being co-ordinated by Manchester solicitors Alexander Tatham, which acted for 18,500 victims of the Barlow Clowes collapse.

Mr Antony Gold, a partner with Alexander Tatham, said the group's aim "was to produce a single, co-ordinated strategy. This will allow us to act as one united group and try to win compensation and also press for an impartial inquiry into the licensing of BCCI".

Other issues to be raised at today's meeting will be the Bank of England's role in the affair, in particular whether it acted too slowly in closing the bank it has accused of widespread fraud.

"If the conclusions of any inquiry into the BCCI affair are critical of the Bank of England, logically that will result in the government or the banking industry having to come up with some sort of compensation scheme," said Mr David Pine, another partner in Alexander Tatham.

That would be an improvement on the existing depositors' protection scheme, under the 1987 Banking Act, which limits compensation to £15,000.

The initiative by Alexander Tatham is the most ambitious on behalf of many of the more than 120,000 BCCI investors who had a total of £250m in accounts at the time of the bank's crash.

Several other solicitors are offering specialist advice to depositors; some have set up special hotlines, and support and pressure groups are being formed. Among those active in the field are:

Mr Bryan Slater, of Manchester-based solicitors Slater and Link. Hotline: 061 725 9178.

Alexander Tatham. 061-236 4444.

BCCI Investors Support Group. Mr Aurangzeb Iqbal, Bradford-based solicitor on 0274 521626 or Mr Abjed Bashir on 0274 521872. Public meeting, 4pm today at Bradford town hall.

Gouldens. 071-583 7777. Contact Mr James Campbell. City-based solicitors, acting for banks and corporate customers.

Graham Leigh Pfeffer and Co. 061-834 6721. Manchester commercial solicitors, acting for BCCI depositors with investments exceeding £200,000.

ARGENTINE SUSPENSION

Allegations over drug money

By John Barham in Buenos Aires

ARGENTINE president Carlos Menem yesterday suspended his sister-in-law, Amira Yoma, from her post as his appointments secretary after allegations linking her to drug-money laundering in a case in which BCCI's name has arisen.

Mr Khalil Hussein Dib, a Lebanese businessman living in Buenos Aires, last week described to federal investigating judges how he watched Ms Yoma, and her ex-husband Mr Ibrahim al Ibrahim, count money they had brought from the US. The cash was then transferred to Uruguay, South America's largest offshore banking centre.

Mrs Yoma and Mr Ibrahim, formerly customs chief at Buenos Aires airport, are under investigation in Argentina and in Spain for their alleged involvement in an international money-laundering gang. Both deny the charges.

In the court transcript of his evidence, leaked to the newspaper Página/12 Mr Dib said he came to Argentina in 1987 to assist Saudi Arabian financier Gaith Pharaon with his investment plans in the country.

Mr Pharaon has been identified in the Price Waterhouse report as a member of a close coterie of allies who received $2bn in loans from BCCI. He is building a five-star hotel in Buenos Aires and has plantations in Argentina. Mr Dib said he had lost touch with Mr Pharaon although the court case has refocused attention on BCCI's business links in South America.

Mr Menem said in a television interview that he took a personal interest in Mr Pharaon's investments. He said Mr Alberto Kohan, a former cabinet secretary and health minister, had introduced him to Mr Pharaon after he complained that his hotel project had been held up by red tape.

The president denied reports that he was friends with Mr Pharaon, but said he personally inaugurated the first stage of his Hyatt hotel.

LEGAL NOTICES

No. 007581 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
WESTPOOL INVESTMENT TRUST PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 3rd July 1991 presented to Her Majesty's High Court of Justice for the confirmation of (a) the reduction of the capital of the above-named Company by cancelling paid up capital to the extent of 15 pence on each issued Ordinary Share of 25 pence and reducing the nominal value of the Ordinary Shares (whether issued or unissued) to 10 pence each; (b) the reduction of the share premium account of the Company by £69,439,008.74 to £588,818.11 and (c) the cancellation of the capital redemption reserve of the Company as at 7th June 1991

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Mervyn Davies at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday, the 29th day of July, 1991

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital and share premium account and cancellation of the capital redemption reserve should appear at the time of hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 15th day of July, 1991

Slaughter and May,
35 Basinghall Street,
London EC2V 5DB

Solicitors for the said Company

NO. 005379 OF 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
THE METROPOLITAN TRUST plc
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 27th June 1991 presented to Her Majesty's High Court of Justice for:

(a) The sanctioning of a Scheme of Arrangement; and

(b) The confirmation of the Reduction of the Capital of the above-named Company be cancelling shares of the said Company in accordance with the terms of the said Scheme of Arrangement. The capital reserve resulting from the proposed Reduction of Capital is to be applied in paying up in full new shares of the said Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Mervyn Davies at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday 29th July 1991.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said Reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

DATED the 15th day of July 1991

Slaughter and May,
35 Basinghall Street,
London EC2V 5DB

Tel: 071 600 1200
Ref: JSH/FWN/JMDE

Solicitors for the said Company

No. 008132 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
LONDON MERCHANT SECURITIES Plc
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 1st July 1991 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share capital of the above named Company from £141,870,518.75 to £100,000,000

AND NOTICE is further given that the said Petition is directed to be heard before the Honourable Mr Justice Mervyn Davies at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 29th day of July 1991

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated this 18th day of July 1991

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

RWC/KO

Solicitors for the Company

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

NO: 00 7579 of 1991

IN THE MATTER of
The Summit Group plc
and
IN THE MATTER of
the Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 3rd July 1991 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company by £92,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Mervyn Davies at the Royal Courts of Justice Strand London WC2A 2LL on Monday the 29th day of July 1991.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 15th day of July 1991.

Slaughter and May of
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said company.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

EDR Holders are informed that Pioneer Electronic Corporation has paid a dividend to holders of record 31st March, 1991, of Yen 15 per Yen 50 Share of Common Stock, and the Depositary has converted the net amount after deduction of Japanese withholding taxes into United States Dollars.

EDR Holders may now present Coupon No. 11 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate.

Failing receipt of a valid affidavit, Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after 31st October, 1991.

Amounts payable per EDR of 1,000 Shares against Coupon No. 11.

Gross Dividend	Dividend Less 15% Withholding Tax	Dividend Less 20% Withholding Tax
US$108.07	US$91.86	US$86.46

DEPOSITARY
Bank of Tokyo International Limited London
18th July, 1991

AGENT
The Bank of Tokyo (Lux.) S.A.
Luxembourg

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of the English translation version of (i) the Notice of Resolutions at the 45th Ordinary General Meeting of Shareholders of the Company held on 27th June, 1991, and (ii) the 45th Business Report, prepared on a parent-alone basis, for the annual period ended, 31st March, 1991, are now available to EDR Holders, upon application, to The Bank of Tokyo, Ltd., 20-24 Moorgate, London, EC2R 6DH, and the Agent, The Bank of Tokyo (Luxembourg) S.A., Residence St. Espirit, 1-3 Rue Du St. Espirit, 1475 Luxembourg.

Bank of Tokyo International Limited
(London Depositary)

18th July 1991

CONTRACTS & TENDERS

Borough of Blackburn

BANKING ARRANGEMENTS FROM 1st APRIL

The council invites quotations from Banks, preferably with branches centrally located within the Borough, interested in becoming the Council's Bankers from 1st April 1992.

Particulars of the Borough and of the approximate volume of business to be transacted may be obtained from the:
Director of Finance,
Town Hall,
Blackburn,
Lancashire BB1 7DY.
(All enquiries will be dealt with in strict confidence).

LEGAL NOTICES

No. 007078 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF THE PRESS ASSOCIATION LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 18th June 1991 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company by £147,700 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Mervyn Davies at The Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 29th day of July 1991.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 16th day of July 1991

Biddle & Co (Ref R/61)
1 Gresham Street
London Ec2V 7BU

Solicitors for the above-named Company

Rover to axe jobs, cut production

By John Griffiths

ROVER GROUP, the UK car maker, yesterday announced plans to cut production and lose nearly 1,300 staff jobs, around 12 per cent of its total, by the end of October.

The company's unions were told of the intended job losses at the same time as the formerly state-owned manufacturer announced that production of key models is to be reduced to four days a week because of the steep drop in new car demand both in the UK and on the Continent.

Honda, the Japanese car maker, holds a 20 per cent stake in Rover, while the UK company has a 20 per cent shareholding in Honda's UK manufacturing company.

The industry expects only around 1.5m cars to be sold in the UK this year, compared with 2m in 1990 and a record 2.3m the year previously.

Buoyant demand on the Continent up to now has allowed UK makers to maintain output levels - Rover's output was down only 1 per cent in the first half of the year - but with all main EC markets except Germany now also in sharp decline manufacturers are taking firm action to prevent stockpiles building up.

The staff cuts, the deepest since Rover's sale to British Aerospace three years ago, will bring to around 3,500 the total number of jobs lost in the past 18 months. However, Rover insisted that the staff redundancies were not related to short-term market conditions.

"They are a necessary part of our efforts to achieve world class standards in manufacturing and that means emulating Japanese manufacturer efficiencies", the company said.

"The Japanese are setting up shop in the UK and we have no choice but to match them".

The production cuts, however, are in direct response to a collapse in new car demand in the UK for which exports, booming until a few months ago, can no longer compensate. They are affecting almost the entire industry.

Ford, for example, is suspending production at its Escort/Orion plant at Halewood in north west England from the end of this month and most other manufacturers have either already begun curtailing, or are planning, to restrict output. Rover said last night it hoped to achieve most of the redundancies voluntarily but warned that the cuts will be made compulsorily if necessary.

Under the production cuts, workers at the Longbridge plant producing Rover 200 and 400 cars will go on a four-day week from mid-August to October.

Production at Longbridge, Birmingham, of the Mini - ironically, being sustained mainly by soaring demand from Japan - and the Metro will be unaffected.

Some 1,000 workers producing the Montego and Maestro at the Cowley plant near Oxford will start four-day working from September 16, with a review later in the year.

Police to receive pay rise of 8.5%

By Michael Smith,
Labour Correspondent

BRITAIN'S 126,000 police officers are likely to learn today that their pay is to rise about 8.5 per cent, more than 2.5 percentage points above the rate of inflation.

It would be one of the highest real pay increases in the public sector this year: compared with 6.5 per cent being offered to more than 100,000 civil servants, and 6.4 per cent to 750,000 local government white collar workers. The settlement is due to be implemented from September 1, when inflation may be considerably lower than the last reported figure of 5.8 per cent.

Among public sector workers, probably only armed forces personnel, awarded 12.25 per cent from April, have achieved a higher settlement in real terms.

Each year the police pay rise is linked to the increase in average earnings during the previous 12 months to May. Government figures today are likely to show that this was about 8.5 per cent.

During the last two decades decade officers' remuneration rises have outpaced virtually all other public sector workers and many in the private sector.

Call for national coal strategy

By Juliet Sychrava

THE government must act now to save the UK coal industry, even if it means subsidising British Coal, warns a strongly worded report on the future of the coal industry.

The report, by the House of Commons energy committee, challenges the government to develop a national energy strategy and warns of the imminent death of Britain's coal industry.

It draws attention to EC proposals for a Europe-wide coal subsidy. This would benefit the UK, which still produces the cheapest coal in Europe, the report said. The government should take active interest in the EC proposals, and consider how it could promote them.

After 1993, when British Coal's large contracts with the two electricity generators, National Power and PowerGen expire, the company's sales will fall sharply. By 1995 British Coal will produce a maximum 50m tonnes, compared with 70m today, as the two generators opt to import cheaper, lower sulphur coal, the report warns.

This will force British Coal to close one colliery and cut around 800 jobs for every million tonnes of lost production. By the end of the century, only a handful of pits could remain.

The government should not allow the generators' short-term interests to threaten the future of UK coal reserves, and the long term interests of electricity consumers, the report states.

It believed the UK should not rely on imported coal. "We'd rather have security from our own little island than from anywhere else," said Dr Clarke, the committee's chairman yesterday.

Although British Coal could not currently compete with imported coal or gas on price, that could change. British Coal offered a security of supply and price few foreign competitors could match.

Both National Power and PowerGen said this week they were happy to talk to British Coal but had to buy their fuel competitively.

Employers urged to be more flexible

By Lisa Wood, Labour Staff

EMPLOYERS were urged by the government yesterday to offer workers more flexible working arrangements including job sharing, career breaks and other "family friendly" schemes.

Mr Michael Howard, the employment secretary, said that most companies could do more in this area and warned that businesses which offered flexible working arrangements would have the competitive edge in recruiting and retaining employees.

The government's advocacy of policies to assist employees, particularly women, to balance their home and work commitments at a time of rising unemployment was described as "odd" by the Conservative Family Campaign.

The campaign, which is supported by 31 back-bench Tory MPs, wants women to be encouraged to stay in the home with their children. Its proposals – based on submissions to the Conservative Party for inclusion in its election manifesto – include the reintroduction of child tax allowances and the refusal of funding to work-based creches.

Mr Howard, in launching a guide to the benefits of a flexible approach to working arrangements said: "Getting the best of both worlds, the world of work, and of family and home, will be of increasing importance over the next decade."

BRITAIN IN BRIEF

Smith says confidence 'worsening'

Mr John Smith, the opposition Labour party's spokesman on finance, launched a fresh attack on the government's economic strategy as merely a hope for "a short-term revival in consumer spending".

He told the Industrial Society, the business organisation, that at best business surveys were showing no evidence of recovery, while others indicated a further worsening of consumer confidence.

Mr Norman Lamont, the chancellor of the exchequer, should now accept "that industry is clearly shaken but it has certainly not been stirred, not even vaguely", he added.

Syndicates to close

Four more underwriting syndicates on the Lloyd's insurance market are to close in a further sign that rationalisation is proceeding quickly.

Up to a 100 syndicates – which group together the wealthy individuals, or Names, whose capital backs the market – could close or merge before the end of the year, as syndicate managers strive to reduce expenses and achieve economies of scale in the face of increasing competitive pressure.

House sales remain poor

There is still no sign of a pick up in the housing market according to a survey of almost 100 estate agents. A rise in house sales is expected to be one of the first signs of an economic revival in Britain. Agents said the south east and central England were worst affected.

The government is to review proposals by Britain's water companies to improve water quality by 1995. Environment Secretary Michael Heseltine (left), pictured yesterday announcing a separate scheme in Bradford with city leader Mr Thomas Flannigan, said the review aimed to speed up better quality supplies but might involve higher charges.

Straw attacks Tory plans

Mr Jack Straw, the opposition Labour party's education spokesman, criticised government plans to reduce local authority control over education and said Labour would sustain the role of local councils.

Addressing the Council of Local Education Authorities' annual conference, Mr Straw accused the government of seeking to undermine the authorities.

"A system with 24,000 separate institutions, 840,000 employees and seven million pupils could not conceivably be run from a single, central ministry", he said.

Union warns of fleet demise

The Rail Maritime and Transport (RMT) Workers' Union predicted the "virtual demise" of the UK-registered merchant fleet after it failed in a campaign to persuade the government to restore 100 per cent capital allowances and tax relief for merchant companies.

It said the UK-registered fleet, which has been cut to less than 300 since 1979, would be reduced further. Mr Sam McCluskie, RMT executive officer, said companies should halt gifts to the Tory party.

More women unemployed

Female unemployment has probably increased to 1.1m despite government estimates of female unemployment at 572,000, the Campaign for Work pressure group claimed. The group attacked the rise in "hidden female unemployment".

The group claimed that a considerable number of unemployed women do not claim benefits and are not included on the claimant count. It also forecast that 2.65m people will be unemployed by the end of this year.

Proposal on car emissions

UK government officials will be pressing the EC to consider using a regulatory system rather than fiscal measures in attempts to reduce car emissions across the Community.

Under the proposed regulations total emission levels across Europe would decline in line with EC targets, but manufacturers would be left to sort out themselves how this would be achieved.

The scheme would allow some producers to continue making vehicles with higher carbon dioxide levels as long as there were sufficient output of other cars producing fewer emissions to balance them.

Overcrowded jail threat

Britain's jails are "tinderboxes likely to ignite" unless urgent action is taken to reduce overcrowding and increase staffing, according to prison officers' leaders.

Worsening overcrowding and "dangerous and destabilising" staffing levels were being allowed to prevail, the Prison Officers' Association claimed.

In the worst affected jails, overcrowding had increased from 18 per cent above capacity in May 1990 to 32 per cent in May this year, the association claimed.

Warning to car-buyers

The Finance Houses Association, representing the main UK consumer finance lenders, has warned car-buyers to be on their guard against 70 vehicle transfer agencies. The FHA says that car owners who transfer their cars and hire purchase agreements to vehicle transfer agencies may end up in serious legal and financial difficulties.

The Office of Fair Trading is warning all traders in the vehicle transfer business that it has reservations about the practice and engaging in it could be grounds for terminating a consumer credit licence.

HTV overturns expectations on franchise bid

By Raymond Snoddy

HTV, one of Britain's independent television companies thought most likely to lose its broadcasting franchise, has outbid three powerful rivals with a bid of more than £20m a year.

The company, which broadcasts to Wales and the west of England, is now almost certain to retain its franchise for another 10 years unless the Independent Television Commission (ITC) decides the bid is too high to sustain programme service.

The size of the bid suggests HTV takes a optimistic view of real growth in advertising revenues after the recession ends. It is further evidence that the system of blind competitive tenders – with a few exceptions – is forcing bids high.

The exceptions include Central Independent Television and Scottish Television, both of which were unopposed and bid less than £1m a year to retain their franchises. Their share prices have risen sharply since the size of their bids became known, although no company has officially announced its tender.

Bidding for the Britain's 16 commercial franchises - broadcasting licences – closed earlier this year when 40 applicants had to commit an undisclosed sum of money.

The franchises are awarded by the ITC which is expected to give the licenses to the highest bidder, except in special circumstances where it judges that programme quality would decline seriously.

Industry rumour placed HTV fourth in the race because of what was seen as a lacklustre management performance and unsuccessful diversifications into diaries and fine art.

Because of pessimism about HTV's prospects, its share price has fallen sharply from 130p in mid-1989 and is now languishing at 37p.

The £20m-a-year bid for the 10-year franchise will rise annually in line with the retail price index.

HTV has beaten Merlin, which bid £19.5m in 1993 prices, into second place. Merlin, whose chairman is Lord Ivor Richard , is a consortium comprising Associated Newspapers, the television services company Trilion, and Chrysalis, the record and independent television production company.

There was virtually a tie for third place between Channel 3 Wales and the West, which bid £18m, and C3W which bid fractionally under £18m.

Regulator threatens to disconnect Telecom sell-off

Hugo Dixon and Roland Rudd on the potential cost of Oftel's new proposals on telephone competition

WHAT is the price of an independent regulator? The answer is £11bn. That is the amount the UK government will no longer be able to raise if it has to postpone the privatisation of the second tranche of BT shares following a recent U-turn by Oftel, the telecommunications regulator.

This morning Mr Iain Vallance, BT's chairman, will respond to the regulator in an address to shareholders at BT's annual meeting. He is expected to say BT will not agree to the U-turn unless it is allowed to increase its quarterly rental charges, bringing them more into line with costs.

The ink was almost dry on the Treasury's proposals to sell all or part of the government's 48.6 per cent BT shareholding when Oftel's bombshell dropped. Until this month ministers had reason to be pleased with themselves.

In March they unveiled their new telecommunications policy allowing competitors to enter the market and challenge the duopoly of BT, formerly British Telecom, and Mercury Communications. A deal had been cut between the Department of Trade and Industry, Oftel and BT over the new shape of the market. This cleared the way for the flotation of more BT shares before the general election.

That, at least, was until Sir Bryan Carsberg, Oftel's director general, went back on the deal. Two weeks ago he all but abandoned a plan to allow BT to charge its competitors special access fees for using its local network - the main concession the company had won in the behind-closed-doors bargaining over the new policy.

Carsberg: threatening an inquiry

BT, Britain's largest private sector employer, increased a previous "final" pay offer to 120,000 employees by suggesting a settlement of 7.3 per cent writes Michael Smith. The proposed deal, up from 7 per cent, is one of the highest on offer to a large group of workers.

It comes as the company is attempting to implement large-scale job reductions: 40,000 from its 220,000 workforce over the next three years.

The company's 20,000 operators will be particularly affected, with about 6,000 expected to go.

Vallance: in defiant mood

Sir Bryan threatened to take BT to the Monopolies and Mergers Commission if it did not agree to the new proposals. He then turned up the pressure by suggesting that, in the event of an MMC reference, BT might be forced to split its long-distance and local operations into separate subsidiaries in the interests of a more competitive market.

The flotation of the government's remaining BT shareholding is likely to be postponed because an MMC reference, taking perhaps nine months, would create a climate of such uncertainty that an adequate prospectus could not be drawn up. Sir Bryan's intervention has delayed the implementation of the government's new telecommunications policy because competitors do not want to enter the market until they know the rules.

Publicly, Mr Peter Lilley, the trade and industry secretary, is backing Sir Bryan. Government officials say that BT will not be able to find a "chink of light" between the two men.

However, privately, the DTI is irritated with Sir Bryan for failing to get the regulatory framework right the first time. The Treasury is taking a harder line because the row is derailing one of its pet projects.

There is little chance of either BT or the Treasury moving Sir Bryan now that he has taken a stand as an independent regulator.

It is unfair of both BT and the government to pin all the blame on Sir Bryan. It was the government which decided to liberalise the market and sell a second tranche of shares at the same time. This inevitably led to a conflict of interests because the more it opened the market to competition, the lower the likely value of its stake.

BT exploited the government's eagerness to reach a quick deal. Unhappy at the proposals in last November's discussion document - denying BT freedom to "rebalance" its charges to bring them in line with costs - the company threatened to take the issue to the MMC itself.

Sir Bryan was initially in no mood to give way. However, by the time the policy document was published in March, BT was much happier.

It had been promised the chance to levy access fees on its competitors. The company claimed that it suffered a deficit of more than £2bn a year because it was not allowed to put up its rental charges.

But the access fee idea provoked protest from the rest of the industry. Mercury, other long distance competitors such as cable television operators complained that if the fees were imposed the government's new telecommunications policy would be in tatters. The sums of money involved - perhaps £50m a year in total - were small from BT's perspective but large for start up operations.

Sir Bryan was forced to go back to the drawing board resulting in his volte face earlier this month. Under the new proposals, BT will only start to receive access fees when its market share falls beneath 85 per cent or one of its competitors gets more than 10 per cent of the market. Given that BT still has 95 per cent of the market, this is unlikely to happen until the mid-1990s or later.

Oftel's change of mind occurred partly because it became convinced that the earlier agreement was too soft on BT.

Perhaps more importantly, Sir Bryan was stung by criticism that he was not independent from political interference. He became determined to prove that his independence had not been compromised.

The government now says Sir Bryan's actions are a vindication of the system of independent regulation that it put in place. But ministers never realised that they would have to pay the price.

Opposition parties attack G7 priorities

By Alison Smith

THE GROUP of Seven (G7) summit should have directed its efforts more towards helping the Third World and towards further environmental measures, both the main opposition parties said yesterday.

Mr Neil Kinnock, the Labour leader, said there was a need for a "Strategic Development Initiative", which would promote five elements to help developing countries.

These were: co-ordinated action to restore and sustain growth in the global economy, further debt reduction measures; tackling protectionism; protecting the global environment; and a growth in effective aid to those countries.

"Failure to take such an approach and to build a new world order will inevitably result in extra world disorder," he said.

In a speech at the Overseas Development Institute, Mr Kinnock said a G7 commitment to promoting growth and lowering interest rates would be "the most rapid and effective means of transforming the economic prospects of the developing nations".

He called for the simplifying of the complex rounds of debt negotiations which occupied large numbers of scarce qualified personnel.

Mr Paddy Ashdown, the Liberal Democrat leader, acknowledged that the summit had been successful within limited objectives, and welcomed the moves to establish a United Nations register of conventional arms sales.

He said, however, that the G7 leaders had not confronted the "environmental crisis that their nations have created", and had failed to grasp the gravity of Africa's position. "They have treated Africa as if it really was a continent far away about which they know little," he said.

Labour spokesmen condemned the limitations of the summit's conclusions on the environment, particularly attacking the lack of pressure on the United States to set targets for CO_2 emissions.

Mr Bryan Gould, the shadow environment secretary, accused the government of giving "comfort and succour to the US indifference to global warming", while Mrs Ann Taylor, the opposition environmental protection spokesman, claimed that the prospect of "any meaningful agreement" on climate change at the UN summit in Brazil next year had been put in doubt.

G7 news and analysis, Page 4

King attacks 'hypocrisy' of Labour on naval cuts

By Ivor Owen, Parliamentary Correspondent

LABOUR MPs who attacked the job losses resulting from the contraction of the Royal Naval base at Rosyth, Scotland, were accused yesterday of "mind blowing hypocrisy" by Mr Tom King, the defence secretary, in the House of Commons.

In a sideswipe at Mr Neil Kinnock, opposition Labour party leader, and other "lapsed" members of the Campaign for Nuclear Disarmament, Mr King argued that uncertainty over the size of the Trident submarine force and other issues meant Labour could give the "least guarantee" that any job would be safe.

Mr King said there was the "greatest alarm" in the defence industries as to their future prospects if a Labour government was returned.

Mr Martin O'Neill, opposition defence spokesman, insisted that it was only the sustained campaign by Labour MPs which had forced the government to abandon its original intention of closing Rosyth altogether.

At one point he handed a copy of a "leaked" document to the minister and challenged him to deny that it indicated that the government had planned to close Rosyth. Mr King passed it back: "I do not touch leaked documents".

He said that while the naval base and dockyard at Plymouth (Devonport) would be retained, a reduction in capacity could not be ruled out. "We shall be looking to see that we do not carry excess on the support side, and that we do not have unused facilities," he said.

Alan Cane believes that virtual reality promises more technical wonders than it can now deliver

Real flights in an imaginary world

For "virtual reality" read media hyperbole. The notion of a world of the imagination in which humans experience computer-generated visual and tactile sensations so real that they are difficult to distinguish from the genuine article has proved irresistible to newspapers and television.

Not since the early days of the silicon chip has so much space been devoted to a computing technology. The possibilities for flights of the imagination are endless – virtual penthouses to provide an electronic opiate for the poorly housed, virtual sports played in the warm and dry, virtual holidays in far away places.

The reality is more prosaic. "Virtual reality is still a virtual subject" says Iann Barron, chairman of Division, a tiny UK company using parallel processing techniques to push back the frontiers of virtual reality research.

What *is* virtual reality? In essence, only a more sophisticated version of the simulations now used extensively to train airline pilots and ships' captains. An aircraft simulator, for example, comprises a mock-up of a flightdeck complete with instruments and controls. Video screens take the place of windows and provide a computer-generated view of the outside world. Powerful hydraulic jacks provide the sensation of movement within the cabin. The ensemble costs several million dollars, more than a real aircraft.

By comparison, virtual reality is cheap. Division will sell a starter pack for £30,000. To replace the ersatz flightdeck, paired miniature television screens mounted in a headset provide the wearer with three-dimensional view of an imaginary world. A glove fitted with fibre-optic sensors provides the means to manipulate imaginary objects in the imaginary world. Division-designed computer hardware and software underpin the concept.

One example of virtual reality pioneered by the University of North Carolina in the US is designed to enable researchers to model enzyme activity by matching protein molecules. Representing the molecules as three-dimensional images on the screen is straightforward enough. But the researcher has to be able to *feel* how easily the molecules fit together.

That involves the use of a force feedback sensor, a gadget several metres high like an articulated mechanical arm which provides the researcher with the sensation of forcing

two molecules together.

Today virtual reality, for all its promise, remains crude and cumbersome. "It is at the stage computer graphics was 12 years ago," says Charles Grimsdale, Division managing director. Nevertheless, it is remarkable how few environmental cues humans require to maintain an illusion of reality.

One of Division's demonstrations places you, the subject, in a large room; there is a window high in one wall through which the sky and clouds can clearly be seen.

There is a table, and a cube hovers over the table. It is possible to bend down and look under the table. You instinctively move your head to avoid banging it on the edge of the table. Masked and gloved, your antics must seem hilarious to an onlooker. After a few minutes, however, the computer-generated reality starts to take over; it is easy to see that with better peripherals and software, the imaginative scenarios described by proponents of the technology would be quite possible – say, in five to 10 years' time.

Today, however, practical examples of virtual reality are limited. There are a few games. Matsushita of Japan has created a virtual kitchen which customers can furnish with appliances of their choice: "primitive but effective" according to the experts.

The number of companies involved is tiny. In the US the leader is the VPL corporation, based on the west coast. It developed and sells the peripherals – the television mask, which it calls the Eyephone, and the Dataglove, used by most virtual reality pioneers. In the UK, W Industries of Leicester, part of the Wembley Group, is developing entertainment applications.

There is as yet no consumer or business market. Most systems are going into scientific and engineering applications. They include investigation of escape routes for the evacuation of oil rigs, training systems for operators working in complex factories and molecular modelling.

Barron's involvement in the area is interesting. He is one of the UK's most original computer designers, the architect of CTL's Modular One minicomputer but best known as the moving force behind the design of the Inmos transputer, a single-chip computer designed to be connected together in networks for parallel processing. But his pioneering efforts have suffered the fate of so many British innovations. CTL no longer exists as an independent company; Inmos is owned by SGS-Thomson, the Franco/Italian semiconductor concern.

Parallel processing, however, remains at the heart of advanced computing. In conventional data processing, software instructions are handled one at a time in sequence. Parallel processors divide the problem between a number of processors working simultaneously; Barron argues that parallel processing is the obvious way to simulate the real world where events happen in parallel. In contrast, the US pioneers of virtual reality have mostly gone for traditional high-powered sequential processors.

Division's approach is attracting attention from some of the major companies in the industry who agree with Barron's conclusion. Matsushita, the kitchen sink drama specialist, has already agreed to distribute Division's system – known as ProVision – in Japan.

Division was formed in 1989 by a small group of parallel processing specialists, some of them from Inmos. It began trading as a consultancy specialising in parallel systems, often based around transputers, for factory automation, medical imaging, aircraft design and the like. Last year it turned over about £400,000 and made an operational profit. Grimsdale says that most of the profit has been poured back into virtual reality research and development.

The principal product is a parallel processing computer comprising 50 transputers to pass information around the system and a number of Intel superpowerful microprocessors to do the calculations.

Grimsdale emphasises the practical nature of Division's virtual reality research. What his team is trying to do is provide a new, more natural way of interacting with a computer system. From the beginning of modern data processing to the end of the 1970s keyboards were the principal way of communicating with the computer. In the 1980s the mouse, a palm-sized box which could be pushed around the desktop to move the screen cursor, became the device of choice.

In the 1990s, Grimsdale says, virtual reality will supplant the mouse: "Today's simulators give a 'through the window' two-dimensional view of reality. We are trying to put the window behind us." He is dismissive of virtual reality which attempts to create a facsimile of the real world, arguing that such an approach misses the point: "The better the interface, the more computing power you require."

Attempts to model reality in detail soak up computing power. The image need only be good enough to provide an intuitive sense of interaction with the system. Small coloured spheres linked together are in no way an actual representation of atoms and molecules, but they provide a plausible model for chemists to investigate.

As applications open up, the cost of the system and in particular the cost of three-dimensional graphics will be driven down, just as the cost of high-quality graphics has been driven down on engineering workstations today.

Barron has no doubt of the value of Division's research. But with the harsh lessons of CTL and Inmos behind him, he doubts whether the UK will benefit from its pioneering role in this seminal new technology.

Urban transport

Pulling out the stops for a cleaner ride

Bernard Simon continues a series by examining Toronto's natural gas-powered bus

The Toronto Transit Commission has received some unusual praise lately. Homeowners along bus routes in the west end of Canada's biggest city have written to say how pleased they are with the new buses which pass by with little noise and no black smoke belching from their exhausts.

The buses, which first took to the road last October, are powered by natural gas. Although other cities in North America have converted some diesel buses to gas, the Toronto fleet is by far the largest on the continent specially-designed to use the clean-burning fuel.

The TTC has 12 gas-powered buses in service and will take delivery of another 13 by the end of August. If the fleet performs well over the next six months, the commission may call for tenders next year for another 100 buses.

Cummins Engine Company, which is currently the only manufacturer of natural gas-only bus engines, expects to instal a total of about 150 throughout North America by mid-1992. It will not increase production until then. "We're limiting them so we can shake out the bugs," says Clark Ahrens, director of Cummins's bus division.

The natural-gas bus is the brainchild of a consortium which comprises the TTC, two neighbouring southern Ontario municipalities, Cummins and Ortech, an Ontario research agency. Financial sponsors include the Chicago-based Gas Research Institute, the Canadian Gas Association and the Ontario and Canadian governments.

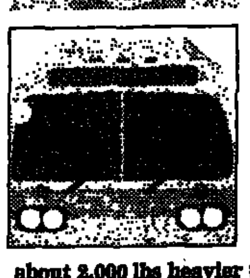
Toronto's gas-bus project started three years ago as part of the TTC's effort to find an alternative to its ageing fleet of trolley buses. But the surge in environmental awareness since then has given it a momentum of its own. "The focus has changed. It's now a question of ecological issues," says Douglas Kennedy of TTC. The Gulf war has further helped the cause of natural gas, which is found in abundance both in the US and Canada.

The 10-litre internal-combustion engine which powers the bus is an adaptation of Cummins's six-cylinder LTA-10 diesel unit. Modifications have been made to about a third of the engine. For instance, spark plugs have replaced diesel fuel injectors. The turbocharger is fitted with a device called a boost-limiter which prevents the engine from overheating. And a catalytic converter is fitted to meet hydrocarbon emission controls. The biggest difference between the diesel and gas buses is their fuel storage and delivery systems.

The vehicles bought by the TTC each carry 15,000 cubic feet of methane gas, roughly equivalent to the 125-gallon fuel tank in the diesel buses. The gas is pumped under high pressure – about 3,000 pounds per square inch – into four tanks in the roof of the vehicle.

The six buses presently in service in Toronto have been filling up with methane at a normal Shell depot, taking about 45 minutes each to refuel. But the TTC is in the process of commissioning a C$3m (£1.6m) fast-fuelling station which will bring the refuelling time down to four minutes a bus.

The TTC's experience so far suggests that the benefits of the buses far outweigh their drawbacks. Besides favourable comments from the public on the quiet and clean-burning engines, drivers appreciate the 40 per cent extra horsepower compared with diesel engines.



The rooftop storage tanks not only leave more room for other parts in the chassis but also have safety advantages too. TTC officials are confident that if the roof tanks are ruptured, the lighter-than-air methane will dissipate quickly and harmlessly into the atmosphere. They point out that it is almost impossible to ignite gas in the open air.

The bus's biggest drawback appears to be its weight. The gas tanks make the vehicle about 2,000 lbs heavier than diesel buses, which are already near the limit of municipal axle ratings. TTC officials would like the municipality to increase the load capacity of the city's streets, but acknowledge that it may be necessary to instal an extra axle on future models.

The cost of the methane-fuelled buses is turning out to be little different from diesel models. Each of Toronto's vehicles costs C$215,000 (excluding tax). Although that is about 5 per cent higher than a diesel bus, the TTC saves C$15,000 in taxes thanks to a provincial sales tax exemption on all alternative-fuel vehicles.

The advantage appears to be more clear-cut in operating costs. The TTC estimates that it will pay 40 per cent less for methane than for diesel fuel once it buys directly from natural-gas producers in Alberta. These savings are expected to cover the cost of building the new fuelling station.

The series will continue next week with a look at Japan's maglev train.

Why a pint of Guinness keeps changing its head

Philip Rawstorne introduces the cast of a global campaign

It is four years since the fair-haired man in black first savoured a pint of Guinness on Britain's television screens and reflected: "It's not easy being a dolphin."

The advertising has intrigued many and exasperated a few. Several Guinness shareholders were still pleading at the group's annual meeting in May for a return to the days when performing seals and talking toucans delivered the simple message that "Guinness is good for you".

But Guinness this year is making the fourth series of commercials, featuring Rutger Hauer, the Dutch-born actor, the centrepiece of a £20m marketing programme in the UK.

Equally enigmatic men in black are also now successfully promoting the drink from television and cinema screens in Australia, Hong Kong, Singapore, and Malaysia.

Guinness is clearly satisfied that the Ogilvy & Mather advertising maintains the traditions that artists such as Gilroy, Whistler and Bateman, and copywriters such as Dorothy L Sayers, have established for the company since its first campaign in 1928.

The "man with the Guinness" commercials grew out of the group's efforts to stem the decline in sales and then to consolidate the beer's position in Britain as lager began to take over the market in the late 1970s and early 1980s.

Guinness turned to psychologists such as Peter Cooper, of Cooper Research and Marketing, to investigate the images its dark brew evoked in the minds of consumers.

The first result was a £5m television campaign in 1986 that aimed to convey the natural qualities of the product through elemental scenes of the growth and harvesting of fields of barley. At the same time, other "Pure Genius" commercials sought to give the beer a badge of stylishness by portraying independent, younger men in pubs ordering "a straight-talking, midnight lightning, black, IQ brew, with a smooth velvet body".

The "man with the Guinness" in 1987 combined the two themes. Rutger Hauer embodies the brand personality – reflecting the values of the product in a style intended to appeal to the individualism predicted to be the hallmark of consumers in the late 1980s and 1990s.

Increased sales of draught Guinness in Britain – now at 1m pints a day among the three best-selling beers – had already demonstrated the campaign's effectiveness when Guinness established an international marketing group at its London headquarters in 1989.

Led by Paul Gilham, international marketing director, the small team was charged with ensuring the optimum brand position for Guinness in its 120 markets worldwide.

The resources that had been devoted to researching the brand in Britain soon began to pay dividends abroad as the team found similar marketing problems to be overcome.

A growing interest in premium beers in Australia suggested that Guinness could be positioned as the leading niche brand if its advertising was strong enough to catch consumers' attention amid the heavy lager promotion.

The "man with the Guinness" theme was among several ideas tested on consumers. "It emerged very strongly," says Gilham. "But our research showed the need for some changes from the UK campaign – a different character and more emphasis on product values."

Wenanty Nosul, an unknown Polish actor and recent immigrant, was chosen to play the Hauer role. In one of the first commercials, he walks through an art gallery, past an abstract painting of a Guinness. "If you don't get it, watch my lips," he says, raising a glass.

Within three weeks, consumer awareness of Guinness advertising had leapt from 6 to 65 per cent. Among 25-34 year-olds, the brand advertising was recalled more readily than that for such domestic brews as Castlemaine. The increase in sales that followed was "gratifying", says Gilham.

Hong Kong and Singapore were the next markets in which tests of the advertising theme suggested it would be the most effective means of achieving the objectives set for the brand.

In Hong Kong, Guinness had been repackaged to consolidate its status as a premium beer, but needed a more stylish, contemporary image that would attract younger consumers.

In Singapore, the need for change was more pressing. Guinness was becoming identified with older, down-market consumers.

George Lam, a well-known Chinese actor, got the job of establishing the new Guinness image. Lam's commercials – in English, Mandarin and Cantonese – promote the beer with the wit and wisdom of old Chinese proverbs. "I honour the past, I revere the future, but there is no time like the present," he smiles, and savours.

A taste for Guinness has to be acquired but is worth it, he suggests. "When bitterness reaches its extreme, sweetness will follow."

Lam's 21 commercials have boosted Guinness's premium status, intrigued style-conscious younger men, and lifted sales. In Singapore, studies showed substantial improvements in image and awareness.

The formula is now being transferred to Malaysia where Guinness, though well-established in the market with a 30 per cent share, again wanted to modernise its appeal.

Malaysian law and different cultural nuances demanded that another actor should be the "man with the Guinness". So it is Tony Lee who rises from his chair to proclaim: "You have to stand up for what you believe in."

Development of the original theme, says Gilham, has enabled Guinness to move with greater speed and confidence in repositioning the brand in international markets. "The campaign has evolved as we applied what we learned in one market to the next. We are moving from what was a fragmented approach to a sustained, progressive order of change," he says.

The faces change but the message stays the same

Insurance retailing

Assessing the risk to brokers

By Richard Lapper

Insurance brokers face a bleak future as insurance companies focus on new and more effective ways to reach their customers, predicts the London-based PA Consulting Group.

In the 1990s, the combined impact on brokers of sales of home and motor insurance across bank counters and by telephone could be as dramatic as that of supermarkets on the corner grocery shop in the 1960s.

John Ginarlis, author of PA's report, Insurance in Crisis, says the bigger international brokers – such as Sedgwick Group – have excellent opportunities in the corporate insurance market. However, he is pessimistic about the prospects for smaller retail brokers – small, often family-owned businesses that in Europe have traditionally dominated the retailing of domestic insurance – especially motor insurance – in the Republic of Ireland and the Netherlands as well as in the UK.

The number of retail brokers has already shrunk to about 10,000, compared with more than 40,000 in the mid-1960s.

Brokers who earn commissions on each insurance policy they sell have been losing out to competition from banks and building societies which offer insurers cheaper ways of distributing their products.

The 1986 Financial Services Act – which forced brokers selling life and pensions products to operate either as agents for one insurance company or as genuine brokers selling a full range of products – has also aggravated pressures.

In addition direct writers – companies that sell insurance through a mixture of television, radio and newspaper advertising and telephone sales and back-up – carry none of the historic baggage of current trade union restrictions on working hours, etc. And whereas a traditional high street broker or bank will be closed when most people are not at work, direct sales insurers can offer a 24-hour service.

Many brokers have opted to merge to form chains. Backed by big insurers like Sun Alliance which have offered access to their own in-house information systems in order to improve service quality, these have grown rapidly in the last three years.

Even so Ginarlis doubts whether even this bigger, more powerful, technologically sophisticated and customer responsive breed of broker has a long-term future. Pressures are mounting from two directions.

Firstly under increasing commercial pressure to make more effective use of their dense branch networks, more banks and building societies are selling insurance – as agents for insurers or for their own insurance subsidiaries.

Although banks in the past regarded general insurance as a "highly volatile, cyclical and unstable business with apparently less impressive returns on capital than life assurance", there are signs that these views are being reassessed.

Banks are "beginning to awaken to the latent power of what they regard as their dormant untapped customer base," says Ginarlis.

Secondly, the entry of direct writers has also aggravated difficulties for brokers.

Ginarlis is "far from convinced that bricks and mortar" are a necessary distribution channel for financial services in general and insurance in particular. "Telephone direct writing of personal lines insurance we see as being one of the most revolutionary forces at work in the industry," he adds.

"In essence (insurance) is an intangible product which is ideal for distribution by telecommunications or by salesmen, and we continue to be doubtful whether pressure on margins will allow financial services to maintain the high street distribution of yesteryear."

The early successes enjoyed by direct writers such as the Direct Line subsidiary of the Royal Bank of Scotland are indicative of future trends. Ginarlis says that the share of telephone sales of insurance could rise up to 50 per cent of the market in five years' time in the UK.

Building bridges between academe and brands

Philip Rawstorne reports on research into international marketing and brand management

"WHAT I am trying to do," says Tim Ambler, "is to build bridges between academic research and the practical needs of business in the management of international brands."

Ambler, who retired early from his post as joint managing director of International Distillers & Vintners (IDV), Grand Metropolitan's wines and spirits subsidiary, has now at 54 been appointed to a new senior research fellowship at the London Business School.

The fellowship is being sponsored by GrandMet with funding of £500,000 over five years. The company said yesterday: "The management of international brands is now recognised as one of the most important aspects of a company's business. But unlike other areas of management, it has been subject to little research."

Ambler's task will be to spread awareness among marketing practitioners of the research work that is available and to promote more studies of particular aspects of international marketing practices and brand management.

"Business today is increasingly about value, not volume," says Ambler. "International marketing or brand management is vital to our economic interests and yet there are huge gaps in business schools' teaching of the subject, and little research into actual marketing practices."

Ambler, who will also teach global marketing to LBS students, has the background that should enable him to help fill some of those gaps. Though he qualified as a chartered accountant, most of Ambler's career at IDV has been in marketing.

He was marketing director for the UK in the 1970s and worldwide for much of the 1980s. During this time, IDV launched the most successful new brands in the industry, including Bailey's Irish Cream, Malibu, Piat d'Or and Aqua Libra. Ambler led a number of innovative advertising and promotional campaigns which helped IDV's rise to the top of the international wines and spirits industry.

His academic career has included a year's study at the Massachusetts Institute of Technology where he obtained a Master of Science degree in marketing.

"The state of marketing in the UK is very good," Ambler says. "But I think it could be a lot better if communications between practitioners and academics were improved. I am sure I could have done a better job at IDV if I had been more aware at the time of academic research on the subject."

He intends to canvass marketing executives over the next few months to discover on which aspects of international brand management there is a demand for more information.

He hopes other multinational marketing companies will be prepared to sponsor individual research projects to provide the answers to their questions.

"This would direct research into those areas where the needs, from a practitioner's point of view, are greatest," he says.

Such research, Ambler believes, would bring benefits in earlier and wider appreciation of new international marketing techniques.

Publication of research papers and case studies would improve marketing training and education and the adoption of best practices.

"The basic aim," he says, "is to make marketing practitioners more effective."

CINEMA

Woody goes a-wandering . . .

ALICE
Woody Allen

ROBIN HOOD, PRINCE OF THIEVES
Kevin Reynolds

IN BED WITH MADONNA
Alex Keshishian

WHORE
Ken Russell

1871
Ken McMullen

Film-maker Abel Gance of *Napoleon* was once described as having "the charm of dynamite." Woody Allen's *Alice*, the latest Waterloo between the director's comic talents and his serious pretensions, has the charm of a waterlogged howitzer.

Reviewing most new Woody Allen movies, one finds oneself hymning the film-maker's former funny persona and asking "Where is it now and can we help look for it?" *Alice* is less dismaying than *September* or *Another Woman*, those grim-faced dramas out of Chekhov by Ingmar Bergman; and at least is a comedy. The problem is, it is not very funny.

Alice (Mia Farrow) is a wealthy Manhattan housewife who has an amorous *coup de foudre* one day at her daughter's school. She falls for fellow schoolparent Joe Mantegna, a middle-aged Italianate hulk whom God designed as a counterpart to Alice's Wasp husband William Hurt. Hurt's character has been cloned for the film out of Michael Douglas in *Wall Street*, while Mantegna is a Mamet-land mystery man wired for macho monosyllables.

Soon Alice-Mia is obtaining magic potions, for love, invisibility and the like, from a mysterious Chinese doctor (Keye Luke). Soon too, while pursuing Mantegna, her life is invaded by weird presences like bedraggled "muse" Bernadette Peters (funny) and ghostly ex-lover Alec Baldwin (not funny), with whom she flies over New York to the strains of "Moonlight becomes you." She begins to realise that she must break with husband Hurt in order to find herself as a woman, a human being and – yes, this too – a writer.

"I'm at a crossroads, lost, lost" she says. But lost is what the film is. It is whimsical, it lacks wit and it wanders. Seeking a clue to the project's provenance, we consult our press notes. No, Lewis Carroll is not acknowledged as a source: despite the heroine's name and the dope-smoking Chinaman's resemblance to a certain caterpillar.

Nor is Woody Allen credited as Miss Farrow's voice coach, although her inflections have become so Woodyesque we would swear that Allen drank a magic potion to turn into his leading lady. Once these thoughts occur, they put a red pencil line through the whole movie. We realise that of course it *would* be a charmer if Allen himself were in it. One scene alone, in which the "invisible" heroine re-materialises while spying on Mantegna and his secretary would be uproarious with Allen and is barely a chuckle with Farrow.

The leading character has to be a woman because *Alice* is afloat with *déjà vu* themes of feminine self-fulfilment. But how much funnier and bolder it would have been if Allen had said, "Hang it. Spiritual self-liberation is not the sole imperative of one sex; we are all clamouring for it." He could have called *Alice*, say, *Alan* and given the discerning film-goer what he still wants most of all in a Woody Allen film. Woody Allen.

★

But then *feminism* infects the cinema today from head to heel. A cause that was once brave and necessary has become as tedious and compulsory as grace before school meals. Guess what they have done with Maid Marian in *Robin Hood, Prince Of Thieves*? Why, she is a toughie with a mind of her own (Mary Elizabeth Mastrantonio) and her Robin (Kevin Costner) all but defers to her strapping, leather-clad authority.

Meanwhile – Heaven forbid that one oppressed grouping should hog the limelight – Robin also brings back a Moorish sidekick from the crusades, played by black actor Morgan Freeman of *Driving Miss Daisy*. (But no demeaning chauffeur duties in Sherwood.) We presume that if we thoroughly combed the Merry Men, we would also find a representative sprinkling of gays, dyslexics and unmarried mothers.

Socio-political modishness apart, this Hollywood *Robin*

Mia Farrow in 'Alice'

Hood directed by Kevin Reynolds pantomimes its way into our good graces with pithy action scenes and pretty scenery. Costner's Robin is the real swashbuckling thing, even though the accent hails from the Pasadena branch of the Locksley family; and Alan Rickman's Sheriff of Nottingham is a splendid, connoisseur snarler. "Cancel the scraps for widows and orphans," he raves in one scene, "no more merciful beheadings – and call off Christmas!"

There are also important historical discoveries in this film. Did you know that Will Scarlet was Robin Hood's long-lost brother? That the Sherwood Forest encampment was a picturesque system of treehouses and overhead walkways just like *The Return Of The Jedi*? Or that when Robin Hood pleaded defencelessness after his introductory river-dunking by Little John, the no-nonsense Merry Men cried in unison "Bollocks!"? Cinema can be such an education.

★

In Bed With Madonna tells us everything we wanted to know, and then some, about the American pop star. She sings, she swears, she smokes. She loves her audiences, she loves her Dad. She is a sex-bomb on stage, while offstage she conducts pre-show prayer meetings. And in uptight Detroit, she is going to darn well perform "Like a virgin" with the requisite masturbatory movements or what price artistic integrity?

Alex Keshishian's feature-length documentary is shot in grainy black-and-white as if it were an honest, on-the-wing portrait of the diva as she sashays from concert to concert. Of course it is nothing of the kind: it is a PR exercise dressed up as a behavioural freeze-frame. Most of the spontaneous moments in its 119 minutes are provided, self-incriminatingly, by other people: like poor Kevin Costner stammering out after-show nicenesses while Madonna taps her foot waiting for the riotous superlatives. She then turns round to make a finger-in-the-mouth movement as he goes.

This is clearly a broad with a heart of gold, whom only darling Warren (Beatty) is allowed to criticise. Musing in her kitchen, he wonders why she is opening her life up so to the camera. Then he corrects himself and wonders, of course, why she would do anything else. The price of fame is infinite self-advertisement.

The film is mesmerising, even when you least trust its authorial voice. Is that voice director Keshishian's – or Madonna's? Is this girl really "letting it all hang out" or is she parcelling it according to the dictates of image promotion? You pays your money and you takes your choice. Or you wait for the video to study at closer range.

★

Ken Russell's *Whore* is such an addle-pated film that you want to adopt and care for it, like a handicapped orphan or an oil-slicked penguin. Once upon a time this LA-set movie about – and virtual monologue for – a husky-voiced hooker (Theresa Russell) was a King's Cross-set playlet by a British taxi-driver. But never mind that. David Hines's play *Bondage* is now an 81-minute film that resembles an American TV docudrama slugged over the head by one of Russell's we're-all-mad-you-know portraits of artists.

Badness this bad can be riveting. Even Russell must know that this film is going nowhere, as it vamps through its *confessio amantis* while pimps rave, clients come and go and the heroine hectors the camera. Things perk up briefly when our Ken does a cameo as a French waiter, offering genital-shaped *hors d'oeuvre* and looks of high-camp disdain. But we are soon back to the gabbling heroine and her mean streets, made meaner by a clearly desperate budget.

I still enjoyed it more than Ken McMullen's *1871*, a sub-Brechtian satirical pageant set in and around the Paris Commune. This has some promising early dialogue *à la* Ken Russell: theatrical manager Timothy Spall to visiting Prince of Wales, "How dare you call my theatre a brothel, you syphilitic bastard." But soon loquacious *lèse-majesté* yields to costumed didacticism. Amid fetching pantomime-style sets, the failing energies of the story are stoked with endless renditions of the Internationale.

Visit instead the Electric cinema's Bertolucci double-bill of *The Spider's Stratagem* (new print) and *Before The Revolution*: glittering early features from a director recently seen shuttling uncertainly between imperial China and the Sahara. Back in the 1960s Signor B made fables as taut, filigree and lethal as – well, as spider's webs.. See, learn and delight.

Nigel Andrews

Alastair Muir

Ana Gonzalez and Jose Antonio

Spanish National Ballet

COLISEUM

The Spanish National Ballet opened a season on Tuesday night, and the very title of the company seems to enshrine all the problems of Spanish dance in the theatre. Because of its richness and variety – and its physical clichés – Spanish dance remains a constant challenge to those who seek to give it a larger balletic life.

Tamed for a stage ensemble – as, I regret to say, is much of what this present troupe has to offer – Spanish dancing looks predictable, self-conscious. Allowed to flare in the bodies of great soloists, from Carmen Amaya and Antonio to such recent and glorious visitors as Carmen Cortes and La Chana, it is an art blazingly individual and hugely communicative. And it seems impossible to reconcile the needs of the stars to descend into their souls in search of inspiration and prodigies of bravura, with the carefully drilled temperaments of the attendant corps. What seems incandescent, rhythmically intoxicating with a soloist, becomes routine and almost parody on the serried ranks of arched bodies, shawls, and stamping feet.

The Ballet Nacional de España was a disappointment at the Edinburgh Festival two summers ago for just these reasons, and the present first visit to London does not indicate that the problems of Spanish dance on opera-house terms have been in any way solved. An opening ensemble proposes the usual received ideas about ruffled skirts, castanets, and men who look as if you have just insulted their sisters. The staging is slick, performance is well-drilled, nothing ventures beyond the safe and over-familiar.

There follows a *scena* by Jose Antonio, director of the troupe, which he made for Natalya Makarova and himself in a gala celebrating Spanish dance at the Kirov Theatre. This boasts a highly inventive programme note about the Moon and bull-fighting, whose argument is nowhere to be identified in choreography in which Lola Greco is manhandled in trailing draperies by Mr Antonio. An outburst of Flamenco ends the over-long first half of the evening, but Cumbre Flamenca has spoiled us for such contrived and slick activities. The most compelling moments come with Aida Gomez and Antonio Alonso in a stylish, allusive lovers' duet (with superb guitar accompaniment), and in a Farruca for Juan Mata, Jesus Florencio and Currillo, whose angry, drumming rhythms and fierce concentration catch the raw truth of Flamenco.

About the *Medea* which completes the evening, I have every reservation. The adaptation of Greek myth to Spanish modern dress and Spanish dance steps (by Jose Granero) seems a wilful exercise at best, and at worst an incitement to flight. The incidentals of the story (Jason and Creusa's wedding) are reduced to Spanish movement banalities. The story is interminably told. Scenery is remorselessly chewed.

The saving grace is the performance of Ana Gonzalez as Medea, surmounting every predictability – scenes that are a child's guide to breast-beating and unbridled passions – to tell us of a fine dance artist who creates a true Medea despite, rather than because of, her text.

Clement Crisp

Four Door Saloon

HAMPSTEAD THEATRE

Into the grubby front office of a minicab firm which needs drivers walks a driver who needs work. It might have been a perfectly unremarkable match, but for the the fact that the firm's employees are predominantly working-class men and the driver is an upper middle-class woman. From this promising scenario Jennifer Phillips fashions a play which steers a zanily in-credible course through romance, deception and violence – culminating in a "sting" which may be a blow for womankind, but equally be merely a temporary obstacle in the road of the self-made man.

Four Door Saloon comes to Hampstead Theatre with all the right credentials, but somehow never seems likely to hold the road. Geraldine McEwan directs a strong and sizeable cast in a play which poses some pertinent questions about the freewheeling underworld of the self-employed. How, for instance, does money-making square with morality, justice or common human decency?

The answer, in Eddie's case, is not a lot. He runs a joint whose staff includes illegal immigrants, a bible-bashing ex-drug addict and a smoothly sinister heavy, who creams off all the lucrative airport jobs. There is a suggestion, if not of compassion, then at least of enlightened self-interest in his employment policy; there is also a hint of vulnerability in his dealings with a money-grabbing Jewish landlord.

But, even taking into a account the bluff plausibility of Kevin McNally's Eddie, it does not seem credible that Eve, Sloany collector of Victorian lace, should fall so readily for a dirty weekend in Le Touquet. A fragmentary second scene, where the couple return in full evening dress to remove a girly calendar from the wall, seems a rather transparent apology for the bump-start to the plot.

One could criticise the play on a number of levels but the basic problem is its conflation of sexual and class politics. Is it saying that women have a rough ride in a man's world, or that working-class men beat and abandon their women? Eleanor David's well-judged Eve is cheated and battered, while Kathy Burke's endearing Ellie is abandoned. These are the only two women among eight men – and Eve's way of regaining control is to fall back on the advantages she arrived with. Having wangled a partnership, she sells her share of the business back to Eddie's Rachmanite landlord.

The intrigue of who is using whom gets lost in a second act of impenetrable book-cooking. Eve has reformed Eddie's office but, alas, she cannot reform him. Phillips can manage a large cast and turn a nice scene. But her perspective seems finally confused and patronising – and nowhere more so than in its predictable but undeveloped equation of motoring with the male sex drive.

Claire Armitstead

Webster

THE OLD RED LION

John Webster was born around 1580 and died around 1625. He was a great networker, collaborated with many of his Jacobean contemporaries, but wrote his best plays alone. Because we know so little about his life, he makes ideal fodder for documentary drama. Here it is, with the revival of Robert David MacDonald's *Webster* (1983 Glasgow Citizens) at the Old Red Lion.

This sprawling, brawling play makes a wonderfully entertaining evening. It still needs is a stronger plot. Webster has just written "The Guise" and chosen a favourite boy to play the lead female; his patron and manager disagree, and try to get the script from him. He is finally mugged on stage and shot in the mouth; the play script is destroyed by his maimed, dribbling son.

The language is scatological and downright. The play's energies come from the one-liners queuing up in the wings rather than from the plot, but the evening is no less enjoyable for that. There are good jokes at Shakespeare's expense: Webster refuses to write one of those "Stands England *(sic)* where she stood plays" (this one cannot be mentioned in the theatre, anyway); and *Othello* is dismissed with "it's only a handkerchief." Others feature, too: Jonson's impeccable bricklaying origins are shared with a transvestite from the troupe; but Dekker and Middleton are scarcely mentioned.

The jokes, like Webster's own, are not always light. When MacDonald takes T.S. Eliot literally, and provides Webster ("much possessed by death") with a real lipless grin, the cracks about half smiles and shooting one's mouth off rush in where tact fears to tread.

Webster himself, superbly played by Garry Cooper, comes over as a grizzled, querulous man railing at a world where only the mediocre are always at their best. His normal approach is abuse: "He's shrewder than he looks, well he'd have to be that"; or he greets his wife as "my own night-flowering marsh mugwort". She is well played by Julia Blalock, providing the moral ballast.

Around them in this topsy-turvy backstage world of frank sex and bruising egos is a swarm of raddled actors and oily opportunists, among whom John Muirhead, Daniel Illsley and Peter Guinness excel. The ensemble playing is one of the production's greatest strengths, and the cast delivers a consistently good performance. The ramshackle set and intelligent lighting make the show fit the available space; and Kevin Knight's direction keeps it moving forward at a cracking tempo.

Webster satisfies the current theatre trends for anything Jacobean and anything biographical; even better, it is set in the theatre, so it taps into the *Noises Off* and *The Dresser* tradition. When MacDonald writes the *Webster* screenplay, the pundits will be calling this one an "industry docudrama."

Andrew St George

Atilla

LA SCALA, MILAN

Muggy Milan, virtually deserted by its inhabitants, still has plenty of foreign visitors, and for La Scala's last opera performance of the season – a new production of Verdi's *Atilla* – the house was just about full. The first night had been marked by the now familiar, tedious booing from the gallery that takes the bloom off many a premiere in the great old theatre. But for this final performance the international audience was more appreciative.

The title role was taken by the young Italian bass Ferrucio Furlanetto, who had been alternating with Samuel Ramey throughout the run. Ramey's Atilla is a known and admired quantity: feline, regal, subtle; as lyrical as it is dramatic. Furlanetto's darker, slightly rougher voice meant that the dramatic side of the character dominated, and often the great swelling lines were less affecting than the tense confrontations.

The soprano Cheryl Studer, much admired by Riccardo Muti who conducted these performances, has been heard several times at La Scala, notably in the *William Tell* and the *Vespri siciliani* that opened two recent seasons. On both occasions – as at this *Attila*'s premiere – she was received with hostility by the rowdy galleryites; but in those operas, as in this, anyone hearing her after the premiere had to wonder why she should arouse opposition. The rich voice has confident agility, and the singer pronounces her words correctly and intelligibly. It would be hard to imagine a better choice for Odabella.

As the treacherous Roman general Ezio, the young baritone Paolo Gavanelli displayed to advantage his supple, lyric voice, his musicality and enunciation; he sang nobly, giving Ezio rather more stature than the librettist allowed him. The tenor Kaluli Kaludov seemed uneasy in the part of Foresto; a wooden actor, he sometimes overworked his light, basically sweet. Still, his singing was never insensitive, though Studer and Gavanelli overshadowed him.

None of the singers was helped by director Jérôme Schmidt (Attila, for his wedding, wore a smart, fur-trimmed *redingote*: Odabella was allowed only one dress, suitable for a 19th century ball). The violence of the opening scene consisted mostly of some Huns struggling ineffectually with some young women, who put up only an intermittent resistance. Some of the girls seemed to change their mind by the next act and, they strolled, with Hun lovers, into the unlikely stable – complete with live, bored horses – where Odabella and Foresto met.

Fortunately Muti, at the helm of an electric orchestra, was at his most inspired. In less able conductors, early Verdi seems to generate chiefly speed and decibels; Muti, on the contrary, while relishing the score's grand pages, took the work seriously.

★

La Scala's penultimate presentation was to have been a brand new *Manon Lescaut*, but was instead a very old *Bohème*: the Zeffirelli production from 1962/3. It has held up remarkably well, and still looked fresh and lively, though not as fresh as the Mimi of Mirella Freni, who was as melting and tender this time as she had been nearly three decades ago. The American tenor Richard Leech was an ideally romantic partner; and Gino Quilico was a youthful Marcello. Maestro Gianandrea Gavazzeni, at 82, was conducting his first Scala *Bohème* and his vitality belied the calendar.

William Weaver

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.30 Jean Schneider plays piano music by Beethoven, Granados and Chopin. Tomorrow: Thomas Zehetmair is conductor and violin soloist in a programme of Haydn, Mozart and Schubert with the New Sinfonietta of Amsterdam. Sun: piano recital by Enrico Pace, including transcriptions of Wagner by Liszt and Busoni, plus Berg's Piano Sonata No 1 (6718 345)

■ BIRMINGHAM

Symphony Hall 19.30 Paul Daniel conducts City of Birmingham Symphony Orchestra in Debussy's Prelude à l'Apres-midi d'un faune and La Mer, and three works for solo percussion and orchestra, including Richard Rodney Bennett's Percussion Concerto. Soloist: Evelyn Glennie. Repeated tomorrow in Sheffield City Hall. Sat in Birmingham: Glennie plays Rosauro's Concerto for marimba in a programme including popular orchestral works played by the English Symphony Orchestra conducted by William Boughton. Sun: Nicholas Kraemer conducts Messiah with scratch chorus (021 212 3333)

■ GENEVA

Hôtel de Ville 20.30 Geneva Chamber Opera presents a double-bill of Peter Heubi's ballet Caricatures and Heinrich Sutermeister's one-act comic opera Seraphine, in a French translation by Daniel Reichel. The production is conducted by Michel Philippe and staged by Sarah Ventura. Repeated Sat and Sun. Tomorrow: Fabio Luisi conducts the Orchestre de la Suisse Romande in music by Prokofiev, Ives and Schoeck. The Geneva summer concerts continue till the end of August (289982)

■ LONDON

DANCE

Coliseum 19.30 Ballet Nacional de Espana presents four works, including two flamenco displays and Medea, choreographed by Jose Granero to an original score by Manolo Sanlucar. Also tomorrow, with matinee and evening performances on Sat (071-836 3161)

MUSIC

Covent Garden 19.30 Carlo Rizzi conducts Michael Hampe's production of La cenerentola, with Anne Sofie von Otter as Angelina, Raul Gimenez as Don Ramiro and Claudio Desderi as Don Magnifico, also next Tues. Tomorrow and Mon: La fanciulla del West, with Mara Zampieri as Minnie. Sat: Hartmut Haenchen conducts Harry Kupfer's production of Orfeo ed Euridice (071-240 1066)

Royal Festival Hall 18.30 and 21.00 B.B.King in concert, with Ray Gelato's Giants of Jive. Tomorrow: Miles Davis. Sat: David Sanborn (071-928 8800)

Barbican 19.45 American cabaret singer Barbara Cook in an evening of American musical theatre, repeated on Sat. Tomorrow: jazz pianist George Shearing and the King's Singers join the LSO and John Dankworth. (071-638 8891)

THEATRE

Brothers and Sisters is a production by the Maly Drama Theatre of Leningrad, performed in Russian with simultaneous English translation. The play, adapted from the novel by Fyodor Abramov, is an epic narrative of peasant village life on the eve of Soviet involvement in the Second World War. Four performances only till Sun (Lyric Hammersmith, 081-741 8701)

Spunk is a New York Shakespeare Festival production written and directed by George C. Wolfe, adapted from three stories by Zora Neale Hurston, using music and dance to illustrate mankind's struggle within a world that cannot be controlled (Royal Court)

Sex Please, We're Italian is Tom Kempinski's new farce starring Hellen Mirren. The play is an expose of life in a small village near Naples, with two families constantly tripping each other up in their attempts to deceive the clergy (Young Vic, 071-928 6363)

Madam de Sade by Yukio Mishima combines the power of language with the Japanese theatrical tradition of story-telling, in a study of the life of the writer-philosopher from whose name the word'sadism' is derived. Directed by Tal Rubins, with sets by Poppy Mitchell and costumes by Katharine Hamnett (Almeida, 071-359 4404)

For ticket information and inquiries about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala 20.00 Ballet of La Scala in Frederick Ashton's Jazz Calendar, with music by Richard Rodney Bennet; Agnes de Mille's Fall River Legend, with music by Morton Gould; and Don Juan choreographed by Amedeo Amodio, with music by Gluck. Also tomorrow and Sat. These are the final performances of the Scala season (7200 3744)

■ MUNICH

Staatsoper 19.00 Peter Schneider conducts August Everding's production of Die Zauberflöte, with a cast led by Barbara Bonney as Pamina and Peter Seiffert as Tamino. Tomorrow: Dietrich Fischer-Dieskau sings Die schone Müllerin. Sat and Mon: Entfuhrung, with Gosta Winbergh and Ruth Ann Swenson. Sun: Valery Gergiev conducts Johannes Schaaf's production of Boris Godunov, with Paata Burchuladze in the title role. The Munich Opera Festival runs till July 31 (221316)

■ NEW YORK

DANCE

Metropolitan Opera 20.00 The Royal Ballet in Kenneth MacMillan's full-length ballet Manon. Repeated tomorrow, with matinee and evening performances on Sat. These are the final performances of the Royal Ballet's two-week New York season (362 6000). Next week the company visits the Jackie Gleason Theater, Miami Beach, followed by performances in Austin, Texas (Aug 1 - 4) and Costa Mesa, California (Aug 6 - 11)

MUSIC

Philharmonic in the Parks 20.00 Samuel Wong conducts the New York Philharmonic Orchestra in a free open-air concert with fireworks at Juniper Valley Park, Queens. The programme consists of excerpts from Prokofiev's Romeo and Juliet and Tchaikovsky's Fifth Symphony. Repeated on Sat at Heckscher State Park, Suffolk County. For more information about the Philharmonic in the Parks programme over the next two weeks, call the Parks Hotline (580 8700)

Avery Fisher Hall 20.00 Gerard Schwarz conducts Mostly Mozart Festival Orchestra in Mozart's overture to The Impresario and Haydn's Symphony No 96. Nadja Salerno-Sonnenberg plays Mozart's Violin Concerto No 5 and Vladimir Feltsman plays Beethoven's arrangement for piano of his own Violin Concerto. Repeated tomorrow. Sat and Sun: Mozart and the Dance, with the Lar Lubovitch Dance Company. Mon: Gerard Schwarz conducts 56 wind instrument players in Handel's Royal Fireworks Music. The Mostly Mozart Festival runs till Aug 24 (875 5030)

New York State Theater 20.00 NY City Opera's French-language production of Bizet's Les Pêcheurs de Perles, conducted by Mark Gibson and directed by David Pfeiffer, with a cast led by Joan Gibbons as Leila, Michael Rees Davis as Nadir, Jeffrey Kneebone as Zurga and Kevin Short as Nourabad, repeated on Sun at 14.00 Tomorrow: Sondheim's A Little Night Music. (870 5570)

■ PARIS

Opera Bastille 19.30 Jiri Kout conducts Götz Friedrich's production of Katya Kabanova, with Karan Armstrong in the title role, Leonie Rysanek as Kabanicha, Stefano Algieri as Boris, William Cochran as Tichon and Claire Powell as Varvara. Tomorrow: Die Zauberflöte. These are the final performances of the season (4001 1616)

Auditorium, Forum des Halles 20.30 Nvart Andreassian conducts Ensemble Polychromie in a programme of music by Sofia Gubaidulina. (4804 9801)

Paris entertainments 24-hour recorded telephone guide in English (4720 8898)

■ ROME

French embassy, Palazzo Farnese 21.30 Pierre Boulez conducts the Ensemble InterContemporain in music by Varese, Petrassi, Berio, Messiaen and Grisey. Tomorrow: Ensemble InterContemporain plays a programme of new chamber music (6795 370)

Accademia di Francia, Villa Medici 21.30 Paris Opera Ballet in Serge Lifar's Suite en Blanc, Jerome Robbins' In the Night and Twyla Tharp's Push Comes to Shove, also tomorrow, Sat and Sun (6795 370)

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Thursday July 18 1991

Promises from the G7

THE GROUP of seven industrial countries does not need to justify its existence. Bringing together the heads of government of these countries, which contribute 60 per cent of the gross national products of the market economies, must make sense. If the G7 did not exist, therefore, one would have to invent it, not least because it has provided a platform for Japan's participation in global affairs at this level.

In any case, meetings have a value in their own right. If these leaders rub one another up the wrong way in future, it will at least be on purpose. Decisions are a bonus. The question raised by the London summit, however, is how far its value goes beyond that of a meeting.

The informality of the G7 has advantages. Membership can, for example, be readily changed to reflect changing realities. Five years from now the four European members may have given way to the European Community.

Also advantageous is the fact that meetings are restricted to heads of government, foreign ministers and ministers of finance. Perhaps the heads of government should meet more often. But, as the European Community's farm ministers demonstrated this week, ministers with sectoral responsibilities often perform dismally.

Right counterpoint

The EC meeting did, in fact, provide precisely the right counterpoint to the summit's strongest commitment: "to an ambitious, global and balanced package of results from the Uruguay Round, with the widest possible participation by both developed and developing countries". As in Houston, the leaders proclaim that "we shall each remain personally involved in the process, ready to intervene with one another if differences can only be resolved at the highest level".

Declarations butter no parsnips. What have the leaders been saying to their farm ministers? Where were they when the "final" meeting of the Uruguay Round collapsed in Brussels last December? The ones that mattered most – those of the European Community – were thinking about almost anything except the Gatt, principally about German unification and economic, monetary and political union.

At the end of this year they will be thinking about many of the same things, while John Major, for all his professed determination, will also need many favours from his EC "partners". So things may turn out differently this year. But experience suggests that one would do best to doubt and see.

Confusing signals

The Gatt is the major item on the G7's economic agenda. This is fortunate because what the G7 has to say on economic co-ordination remains confusing (dare one suggest confused). It is very well to laud progress in reducing the largest trade and current account "imbalances", but does it make sense to call simultaneously for an increase in global savings as a route to lower real rates of interest? Is the G7 even in a position to call for "continued progress in reducing budget deficits", when the world's most important fiscal fact is the ballooning budget deficit in Germany?

Has the G7 contributed more elsewhere? The ideas on improved disaster relief are useful, though not a fit response to current disasters in Africa, just as the commitment to debt reduction for the poorest developing countries should have been greater. On the theme of the summit – the future of the international order – the leaders are right to note the opportunity, but events in both Iraq and Yugoslavia also show its limitations.

The G7 is, in any case, not a directorate, which is fortunate, since the world cannot be directed. It is a grouping of like-minded countries of huge wealth and considerable influence. These countries must continue to co-operate among themselves, even though they no longer share an external enemy; they need to develop still further the open market economy on which they have thrived and others, including the Soviet Union, now hope to thrive. They face many tests, but the Gatt is, as they recognised, the nearest and the clearest. They will be judged by how they tackle it over the next few months.

Small business and the banks

IT HAS been clear for months that small businesses are angry about the way they are treated by the banks: the flood of complaints on the issue earlier this summer left no room for doubt. With the publication yesterday of a report on the inquiry into small business lending carried out by the Bank of England and the Treasury, we know why.

Though most small business borrowers have received the full benefit of this year's interest rate cuts, some 30 per cent have not. Some businesses are paying 6.5 percentage points above base rates; those who have strayed into unauthorised overdrafts are paying interest of up to 33 per cent on the unauthorised amount. Charges for use of the bank manager's time, for the arrangement of facilities, and so on are being applied more systematically, and the revenues the banks receive from such charges are rising sharply.

For businesses stretched to the utmost by the economic conditions of the past year, the extra pressure from the banks has been infuriating – especially as it has coincided with a wave of patronising advertising on television. But anger is not always the best guide to policy.

The fear expressed by some small business lobbyists that the banks were muffling the economic impact of the government's interest rate cuts is clearly unfounded. On macroeconomic grounds, therefore, there is no need for the government to act further.

OFT assessment

Mr Norman Lamont, the chancellor, says the inquiry received no information pointing to collusion between the banks. He is passing the inquiry's dossier to the Office of Fair Trading, which will study it to assess whether an investigation under the UK's restrictive practices legislation is justified. Sir Gordon Borrie at the OFT has already indicated that he is likely to reach the same conclusion as Mr Lamont. There is no likely need, therefore, for further action on this score.

Competition law recognises, however, that big companies may impair competition without colluding, and leaves it to the Monopolies and Mergers Commission to decide whether such imperfect competition – a "complex monopoly" – operates against the public interest. A case could be made that some of the banks' practices – such as their unwillingness to accept customers changing from other banks when times are hard – reflect a complex monopoly, which should be investigated by the MMC.

Code of conduct

In practice, however, the banks would find it easy to defend themselves against such accusations – arguing for example, that roughly half their present bad debts are from customers who have recently transferred from other banks. The most the Monopolies Commission could enforce would be a code of conduct governing the banks' behaviour to their customers.

Sensibly, Mr Lamont is short-circuiting this process, by asking each bank to come up with its own code of conduct. By asking for individual codes, rather than a collective one, he stands a chance of producing competition on quality of service. At the least, he may avoid the unedifying wrangle that has befallen the consumer banking code of conduct, where a common front by the banks led to a first draft that was painfully inadequate.

Mr Lamont's list of items the codes should cover is also a sensible one. It lacks one important element, however, which goes to the heart of the mistrust which many small business customers feel towards their banks: the demand that banks should bill their customers for charges before deducting the money. The House of Commons Treasury Committee said yesterday that when it asked Sir John Quinton of Barclays why there was no other business which deducts the money without sending a bill, "Sir John told us: 'The fact is we hold the money'." Such arguments do little to endear the banks to their customers.

The anger over bank charges will ease as the economy recovers. But the grounds for anger will remain as long as the banks show so little understanding of their customers' point of view.

Roger Matthews on the implications of Syria's peace initiative

Assad ups the ante

When words like "breakthrough" start being bandied about in the Middle East, especially by Americans, it has historically been the moment to reach for the antidote marked "scepticism". President George Bush, smarting slightly from seeing some of the shine taken off his Gulf war victory, has this week discovered in the hitherto unlikely shape of President Hafez al-Assad of Syria the chance of an Israel-Arab peace bonus to offset the continued and embarrassing presence of Iraq's coup-resistant President Saddam Hussein.

Mr Bush believes Syria's positive response to the latest American proposals for a conference to resolve the Arab-Israel conflict is just such a breakthrough. To reinforce the point he has today dispatched Mr James Baker, his secretary of state, to the region to build on the impetus he believes has been created.

Mr Assad, it should be recalled, has in the past decade been cast in the role of Washington's Middle East bogeyman, implacable enemy of Israel, friend of the Soviets, occupier of Lebanon, instigator of terrorism and general obstacle to a just and lasting settlement of the Arab-Israel conflict. In Tel Aviv the quickest way to silence dinner table conversation is to admit having met the man.

No wonder then that the Israeli cabinet has been caught off balance, first by Mr Bush's enthusiasm for the Syrian response and then by the endorsement by the Group of Seven meeting in London for US peace efforts and for bolstering the role of the United Nations, which rates not far below Syria on Israel's list of least favoured entities.

Israel has long believed that the UN is fundamentally biased against it. And it was the threat of a UN presence at the peace conference, albeit in a passive, observing role, which prompted Israel to reject Mr Bush's plan. Following Mr Assad's acceptance of the modified Bush proposal which had been designed to accommodate Israel's objections, the main issue preventing a peace conference looks to be whether the UN representative sits at the table and says nothing or stays outside the door.

Such a procedural obstacle appears absurdly trivial when set against the enormity of the Middle East tragedy, the suffering which continues – not least among the Palestinians in the occupied territories – the potential for further disasters and the immense complexity of the substantive issues which must be addressed. This is the fifth time Mr Baker has been to the Middle East in as many months, and a huge commitment in time and effort has already been made just to push the participants to begin talking to each other about the real issues.

If the US is expending such energy because it appreciates the importance of the changes that have taken place in the Arab world and the degree to which its own authority in the region has been enhanced, the scepticism can be muted. If it is doing so because it believes, more cynically, that any process is better than none and is undertaking the present exercise in order to appease anxious Arab friends, then another opportunity will be lost.

Extraordinary though it may seem, President Assad now probably views Mr Bush as his principal protector. The mocking Arab version of an Israeli tourism slogan – "Visit Israel ... before Israel visits you" – is never far from the regime's mind in Damascus. The military defeat of Mr Saddam has left Syria as the only sizeable Arab army confronting Israel and it has in the past few months succeeded, much to Israel's chagrin, in reasserting its influence in Lebanon. Recent discussions by some commentators in the Israeli press on the "inevitability" of a war with Syria will not have been lost on such a skilled Middle East survivor as Mr Assad.

It is a measure of President Assad's concern that he should have agreed to the possibility of direct talks with Israel at the moment when, from an Arab perspective, the chances of prising Israel out of the West Bank, Gaza, the Golan Heights and southern Lebanon have never looked so bleak. Mr Yitzhak Shamir, Israel's prime minister, opposed the treaty with Egypt in 1979 which has brought Israel 12 years of formal peace with its largest Arab neighbour, is committed to the concept of the West Bank and Gaza as part of biblical Israel, and rejects the notion of exchanging land for peace as enshrined in UN resolutions 242 and 338.

At the same time the popular western perceptions of the Arab peoples has, because of Mr Saddam, scarcely been less positive than now. The Gulf Arabs emerged with little credit from the Iraqi invasion, King Hussein of Jordan has yet fully to re-establish himself in American eyes, while Mr Yassir Arafat, by embracing Mr Saddam, shot himself and the Palestine Liberation Organisation in the foot with what has become practised accuracy.

It is worth asking why, at such a moment, Mr Assad thinks he can bring pressure on the most hard-line government in the history of Israel to make concessions, let alone sign a peace treaty which Syria could accept with some degree of domestic credit. The answer was provided by the late President Anwar Sadat of Egypt in November 1977. When he went on his own to Jerusalem, having failed two days previously to win even a breathing space from the hostility of President Assad, he offered President Jimmy Carter the greatest single opportunity of his presidency to make a significant contribution to world peace.

A similar carrot may now be dangling, if less theatrically, in front of President Bush. Mr Assad, like Mr Sadat, now appears to accept that alone there is nothing an individual Arab nation can do to make Israel deliver. Only one country has, theoretically, that possibility. If Mr Assad follows the Egyptian leader's example he will now seek to remove any remaining obstacles to the ultimate bargaining session which would not be between the Arabs and Israel but between the US and Israel.

Mr Carter pulled off the Egypt-Israel deal despite the hostility of almost the entire Arab world, the opposition of the Soviet Union, and the deep suspicions of an Israeli government headed by Mr Menachem Begin. The US position today is incomparably stronger and its supremacy in the Middle East is unchallenged. The extent to which the Soviet Union co-operated in the American-led international effort to remove Iraq from Kuwait was the clearest signal yet to remaining radical Arab regimes not to look for any backing from Moscow in future. More importantly, the US is the official public protector of the main Arab oil-producing nations. Egypt has again proved totally reliable as an ally and with the Arab League under its wing is the unquestioned leader of the moderate Arab majority. The conviction with which the US and the international community can offer security guarantees to all the signatories of a peace agreement has never been greater.

In the wake of President Assad's acceptance of the Bush proposals, the regional context for a determined push for peace appears promising, but as important will be American domestic politics. Mr Sadat played shamelessly to the US audience, becoming ultimately far more appreciated abroad than at home. Mr Assad is not cast in such a role, but he will have calculated that a Republican president, almost assured of a second term, and from the end of next year no longer so vulnerable to the Jewish lobby because of his widely-expected re-election, might just be willing to engage in the struggle needed to bring about a durable Middle East settlement.

As every Arab nationalist learned in the cradle, America's ability to influence Israel, if it so wishes, is massive. The US provides more than $3bn a year in economic and military aid, has turned a blind eye to Israel's nuclear weapons capacity, uses its veto at the UN Security Council and tolerates Israeli actions even if these are deemed unhelpful to Washington's overall interests in the region.

For more than 15 years the US has been fruitlessly asking Israel to stop building settlements in the occupied territories, a call repeated by all the G7 members this week in London. At the same time, however, Israel is expecting to receive seeking loan guarantees of some $10bn from the US over the next five years to assist in settling hundreds of thousands of immigrants from the Soviet Union.

Friendly Arab governments, such as Egypt, have long told the US that while the Israeli public believes it can have the Arab territory it has occupied since 1967, and not suffer any adverse reaction from Washington, it will never see the issue as one of choice. If Mr Assad is belatedly clearing the way for Mr Bush to offer such a choice to Israel a real breakthrough will have been achieved.

A capital question

Simon London on the OFT move to examine Eurobond practices

The arcane world of the Eurobond market, the world's biggest capital market, has been put under the spotlight by the decision of the Office of Fair Trading to examine new issue practices.

These practices have brought to the fore the widening gap between the big firms dependent for business on investment institutions and the small firms which rely on retail customers. But the new techniques are also credited with restoring the profitability of the big firms for the first time since the mid-1980s. The UK competition watchdog must decide whether they are being imposed as part of a coordinated effort to squeeze out the smaller players.

While most Eurobond firms are based in London, the international bond market is an offshore arena in which companies, governments and supranational agencies can raise large-scale finance. In the first six months of this year alone borrowers issued the equivalent of $22bn in Eurobonds, in currencies from Finnish marrka to Japanese yen.

Yet few Eurobond firms have made a reliable return on capital recently. Intense competition among underwriting firms to lead new issues has left little profit in most transactions. For years the parent banks of the Eurobond firms which remained in the market were prepared to tolerate a low return on capital or even modest losses to provide a full service to long-term clients.

However, banks are under mounting pressure to make their capital work harder. They have to meet stiff capital-to-assets ratios by 1993 under the Basle guidelines on capital adequacy. Under the guidelines, international banks will have to set aside capital equivalent to 8 per cent of total assets. Many are struggling to stay within this target.

The drive for profits began in 1989, when the "fixed price reoffer" method of syndicating Eurobonds was introduced. Under the system, the lead firm sets the price at which bonds can be traded – the fixed reoffer price – until it is satisfied that most of the paper is firmly in the hands of end investors. Only then is the bond issue allowed to find a free market price level – which can be higher or lower than the fixed price.

The method is designed to stop firms selling their unplaced allocation of bonds back into the market at a discount. This "dumping" depressed the price of new issues, eroding the fees earned by underwriters. As a result of many prices falling soon after issue, big institutional investors withdrew from the new issues market – preferring to wait for the price to fall before committing funds.

The fixed price, then, was introduced to attract institutions back to the new issue market. Big firms with an institutional client base are therefore keen to see it established across the market.

To smaller firms whose client base is primarily retail, this is unacceptable. They argue that their business is fundamentally different from the "institutional" Eurobond market and that old-style syndication – in which the price of new issues was allowed to float from launch – offers them higher returns. They therefore welcome the decision of the OFT to look at the new fixed-price practice.

Firms which do not participate in the syndication process and receive no fees also find the fixed price method unacceptable. These firms rely on buying bonds from the syndicate banks and selling them on to private clients at a higher price. The fixed price reoffer makes this business impossible because there is only one price that they can deal at.

"Smaller houses have a big role to play but we are being squeezed out – in my view quite deliberately," commented a senior official at a private Swiss bank.

Another aspect of the drive to restore profitability has been a determination by individual firms only to participate in bond issues which offer an "acceptable" level of underwriting fees. Firms which have launched new bond issues with an "unacceptable" level of fees find that some or all of the big players decline to participate. An "acceptable" level of fees fluctuates from firm to firm, depending on the transaction.

The seven firms asked for an explanation of their trading practices by the OFT make up a loose grouping which meets to discuss primary market practice. They are Credit Suisse First Boston, Deutsche bank Capital markets, J P Morgan Securities, Nomura International, Paribas Capital Markets, Morgan Stanley and UBS Phillips & Drew. Together these firms led 45 per cent of all new bonds issued in the first half of this year. Participants describe the meetings as "informal gatherings of people at the cutting edge of the industry" and firmly deny any form of agreement on fees.

However, many firms outside the "seven" welcome the interest of the OFT in the Eurobond market. There are widespread fears of a concentration of power. Yet most also accept that the fixed reoffer mechanism and a broad consensus on fee structures have contributed much-needed discipline to the market. For example, the fixed reoffer method of syndication discourages firms from participating in a deal unless they have real demand from their clients for the bonds.

The question for the OFT is whether this discipline has been achieved through co-ordinated action by the big firms.

OBSERVER

No common touch

■ It's a long time since the chairmen of the Big Four clearing banks have been hauled before the chancellor of the exchequer not once but twice in little over a month. And although a couple of them sent their minions along last Friday, Norman Lamont tells us they are all now "well seized of the Government's concern" about their small-business lending.

The chanellor is perhaps exaggerating a touch in describing the 1,000-plus letters of complaint he received as an "unprecedented level of public concern". Then again, however, he could hardly admit the whole exercise was a waste of time. While there are no doubt some genuine grievances, the affair has mainly been an interesting case of lobby politics, and the authorities and the banks alike have a lot to learn.

In retrospect, Lord Young's decision to hijack the small business brief when he switched departments from trade and industry to employment looks misguided. The DTI – not employment or the treasury – should have been keeping a watching brief and headed off the trouble.

Although the banks have got away with a mild rap across their knuckles, it has shown once again that they are mere innocents at lobbying. They are fine when it comes to formal debates about capital ratios and prudential supervision, but hopeless at getting their message across to the small businessmen.

Must try harder.

Entropy

■ An air of uncertainty continues to hang over the future of the 1,000 staff at Britain's department of energy.

The Government has promised to keep it open until the general election at least. But John Wakeham, the current energy secretary, is standing down after the election, and the department's top civil service official Geoffrey Chipperfield has just been dispatched to the Property Services Agency to hew it into shape.

All of which makes good knocking copy for the opposition – as witness yesterday's crack about energy strategy by Alex Salmond, leader of the Scottish National Party:

"It seems ironic to have a strategy when the department of energy is closing down, but if you can have a department without a strategy, I suppose you can have a strategy without a department."

Time will tell

■ Whoever has been miffed by Francois Mitterrand's bad timekeeping at G7, it has pleased David Wheatley of the London-based Employment Conditions Abroad consultancy. The French president's behaviour confirms the findings of studies Wheatley has made, in harness with Dutch management consultant Fons Trompenaars, of cultural differences between nations.

Where punctuality is concerned, the research shows that the most habitually prompt of the nations at G7 are the Germans, followed by the Americans, British and Canadians, then the Italians. "The French are usually late," Wheatley says.

The Japanese attitude to timekeeping, however, is more complicated.

The research suggests that whether they themselves arrive promptly or late for an appointment depends on the importance they set on the people they're meeting. But anyone visiting them who isn't of markedly superior status is expected to turn up on the dot. Latecomers are inscrutably awarded a permanent black mark, no matter how good their excuse.

So if Trompenaars and Wheatley are right, Franco-Japanese relations should soon be on the slide.

"... and this cheque from BCCI just bounced."

Club rules

■ Meanwhile what's the difference between associate membership of the World Bank and a special relationship? Quite a bit it seems, when it comes down to the delicate question of the Soviet Union.

The idea of associate membership of the bank and its sister, the International Monetary Fund, was meant to allow them to work within the Soviet Union without confronting the thorny issues about which countries will have to give up shareholdings to allow the Soviets in.

But though the concept presents no problem for the IMF, the bank's legal counsel advised that the creation of associate membership would require an amendment to its articles and a time-consuming vote by shareholders.

Hence the term "special relationship." Truth of the matter is it does not matter what the Soviet Union is called as long as it is not a member.

Quick twist

■ As a final word on the economic summit, G7-watchers cannot believe it is purely by chance that the meeting has coincided with reports that the stars have revealed the existence of objects that go round and round in circles with bewildering speed.

The 10 new "fast pulsars", discovered some 15,000 light-years from the earth by an international team of astronomers working in Australia, are the collapsed cores of massive dead stars which spin at rates between 200 and 600 times a second.

One of them, it's suggested, should be named after Mikhail Gorbachev.

Other side

■ John Chadwick QC, best known as the criminal prosecutor who won the convictions of Ernest Saunders et al in the Guinness fraud trial last year, turned up in the High Court yesterday wearing a somewhat different hat.

He was representing – in a civil law matter – the Bank of Credit and Commerce International, in connection with which the word fraud has been bruited about.

It would seem to be a classic example of the famous "cab rank principle" under which barristers must pick up any customer who flags them down.

Pit prop

■ What do you get by crossing Lassie with a pit bull terrier?

A dog that mauls you half to death then goes for help.

ECONOMIC VIEWPOINT

Gorbachev's place: at arm's length

By Samuel Brittan

Early in the 20th century some Austrian economists predicted that state socialism would fail because of the absence of proper price and market signals. They did not grasp how long a centralised system could last at a low level of efficiency.

But almost no-one predicted the eventual dénouement. In the words of the International Monetary Fund, "central control was reduced, but market signals and discipline were not established". Indeed, the granting of more autonomy to local managers and the loosening of the credit strings led to massive inflationary pressures and shortages at all levels.

The result was a combination of falling output and rising prices to a degree not seen in the worst years of stagflation in the west. Up to the end of the 1980s, the Soviet Union experienced fairly low growth. But whatever the previous failures, they were like nothing compared to the aftermath of President Mikhail Gorbachev's initial reforms. Soviet real gross domestic product is estimated to have fallen by 4 per cent in 1990, and by 10 per cent in 1991. One bank estimate puts Soviet inflation in early 1991 at 60 per cent, with hyperinflation possible by 1992.

The mother of one Soviet leader cannot bear to think that the revolution was all a mistake

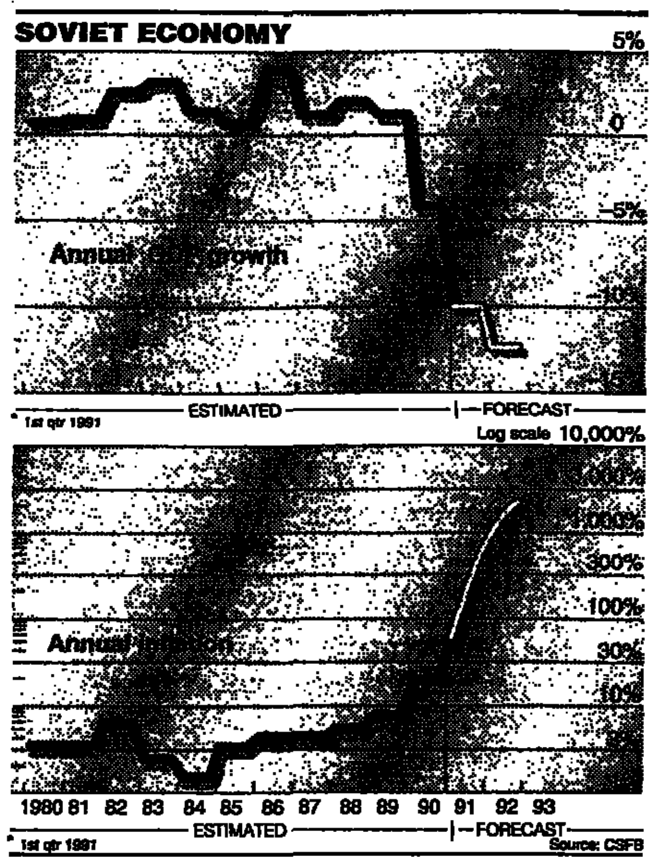
In response to these symptoms of collapse, official Soviet reform programmes have become more radical. Moves to market prices, privatisation, property rights, currency reform and convertibility are all on the agenda. One is told that the only important difference between President Gorbachev's latest plan and the Yavlinsky plan is that the former envisages a slower pace of change because of the absence of western resource transfers.

Overseas investors will, however, remain cautious until conflicts of laws between the centre and the republics have been eliminated. Moreover none of the other reforms will work without a monetary clampdown, which in turn requires some control over the mushrooming budget deficit.

But there is a deeper reservation, voiced by the mother of a Soviet leader, who asks her son: "Where are all these changes leading?" She cannot bear to think that the revolution for which she made so many sacrifices and for which tens of millions died, was all a mistake. That is why her son is reluctant to talk about "capitalism" and why the president still calls himself a Leninist.

If this lady is anything like the elderly Russian-speaking ladies I used to know, she would rather hear the truth, however painful. This need not be that Harvard-style capitalism is the only model for the Soviet peoples. There may be other possibilities which we can still see only dimly. But it is abundantly clear that Soviet socialism has failed. Soviet reformers will not get on to the right track until they are prepared to say so clearly and without equivocation.

Meanwhile foo many western policy advisers have fallen for the myth that great economic transformations require outside aid. England, which pioneered the Industrial Revolution, had nowhere it could have turned for help, precisely because it was the first in the field. Later arrivals such as the US and Argentina (in the days when the latter acquired a European standard of living) were able to draw on the savings of the rest of the world; but it was private profit-seeking investment, not governmental transfers.



Official aid may, in the most favourable circumstances, help to reduce the transitional costs by making available additional imports of consumer goods. The post-war Marshall Plan is the most cited case. But the orders of magnitude should not be exaggerated. The Marshall Plan at its height represented only a very small fraction of the GDP of the recipient countries. The most successful beneficiary, the Federal German Republic, stopped drawing funds within a couple of years.

How much difference western aid would make to the Soviet Union depends on the size of the Soviet gross national product. Estimates vary wildly, depending among other things on the exchange rate used. At the official rate, Soviet GNP is about $1,600bn, or a little more than one-third of the US economy. At the black market rouble rate, it is less than $50bn, or a little larger than Portugal's. If one takes the CIA estimate, revalued at the "commercial exchange rate", one arrives at something over $700bn, or slightly less than the Italian economy. On this basis, the official annual aid posited by the Yavlinsky plan would amount to about 4 per cent of Soviet GNP. Far more resources could be made available by a shift out of military production, which consumes the lion's share of Soviet industrial output, even after all the cuts, or by a re-organisation of the oil sector – an oil shortage in the Soviet union is equivalent to a coal shortage in Newcastle. If western countries really wanted to help reform in the Soviet Union and east central Europe they would open their own agricultural markets. This would be worth more than many billions of aid. But it would also be in the interest of western consumers and would help to restart the log-jammed Gatt negotiations. So it could be undertaken without a crystal-gazing judgment of President Gorbachev's intentions or prospects.

Should some cash transfers or easy credits also be granted to give a kick-start to Soviet reform? A consensus seems to be building behind the Yavlinsky formula that aid should be step-by-step and contingent on actions, not promises. But the actions required are political and not just technical.

Judging by criteria such as poverty or starvation, there are far more deserving cases for aid. On a strategic view more help for Poland, Hungary and Czechoslovakia – now successfully returning to market capitalism – would, because of its demonstration effects, be the best way of encouraging reform further east. Indeed it is not clear that the more direct course of providing the Soviet regime with aid would help the reform process there. There is at least a 50/50 chance that the lessening of immediate pressures will encourage those who want to procrastinate.

So the question comes back to: "Should the west give Gorbachev the endorsement he is asking for keeping the Soviet Union intact?" We should remind ourselves that American presidents and European foreign offices have an abysmal record in their attempts to pick winners. Examples of those whom they have backed range from Chiang Kai-shek in China to various supposedly pro-western Vietnamese dictatorships, the Shah in Iran and Saddam Hussein in Iraq. There is now a danger of making the same mistake about the continued existence of the Soviet Union as was made about backing a unified Yugoslavia.

If material support backing is even to be considered for Mr Gorbachev, his practical willingness to allow early independence for the Baltic states should be a test case. Their annexation was the result of the notorious Molotov-Ribbentrop pacts. It remains invalid in international law and has never been recognised by the west. But even now the Soviet prosecutor-general is trying to shift away from Soviet troops the responsibility for the 14 deaths in the storming of the Lithuanian broadcasting centre. Nor should aid be considered while there are unrefuted reports of Armenians being tortured and killed by Azeri para-military forces, with the connivance of Soviet troops.

American presidents and European foreign offices have an abysmal record in picking winners

Once again western leaders are in danger of falling for the threat "If you don't support me I will drop down dead". The alternative to backing Gorbachev is not to back anyone else but to remember what Richard Cobden said a century and a half ago about "with how little knowledge we enter upon the tasks of regulating the concerns of other people, and how much better we might employ our energies in improving matters at home".

Yet another fine council mess

Local authorities stand to lose up to £100m in the BCCI collapse. **John Willman** asks why

Local councils appear to have got themselves into yet another financial mess, with some 40 councils losing up to £100m in the wake of the BCCI collapse. Coming after the 1989 fiasco over interest rate swaps, the competence of local councils to enter sophisticated financial markets is again in question. How did they get into this position?

Mr Martin Pilgrim, under secretary at the Association of Metropolitan Authorities, is in no doubt why local authorities have ventured into this (for them) brave new world. "Councils have been forced to find creative and imaginative financing during a decade in which the government has sought to reduce the scale of local government expenditure. Local authorities have engaged in a cat and mouse game to get round controls, using the skills and inventiveness of City brokers and financiers."

Sophisticated financial products such as interest swaps and leasebacks have been eagerly taken up by councils faced with rate- and charge-capping. With the high profile of poll tax rises, no council can afford not to squeeze the last ¼ or ⅛ per cent of interest available on short-term cash balances. And with large balances from sales of assets such as council houses, local authorities want to seek out the best investment returns.

But are local council treasurers equipped to deal with these new pressures? Most belong to the Chartered Institute of Public Finance and Accountancy (CIPFA), one of six recognised UK accountancy bodies. Qualification as an accountant is by three-part examination requiring three years' study – entry is mainly graduate. While the syllabus includes treasury management, the emphasis has been on dealing with a mismatch between income and expenditure, rather than investing large sums in the capital markets.

"We may have been a bit slow to react to the growth in importance of the investment side, though a panel is now working on fresh guidance for members," says Mr Arthur Boulter, CIPFA assistant secretary.

The losses in BCCI announced by councils suggest that most, apart from the Western Isles, had at least been prudent in spreading the risk of their investments (even if they had paid too little attention to reports of BCCI's involvement in organised crime). Several had blocked investment in BCCI or were disengaging when the collapse occurred.

But the appeal by some councils for official compensation on the grounds that the BCCI appeared on the list of banks circulated by the Department of the Environment does little for the reputation of local government treasurers. This list details every bank authorised to do business in the UK by the Bank of England, as a cursory glance at the contents makes obvious – previous lists had included Chancery Bank and BCMB, both of which collapsed in the last year. To cite the list as a reason for compensation is either disingenuous or demonstrates an uncertain grasp by council officials of the nature of the banking sector and its regulation.

And the constant chasing after every last fractional point in interest does not win universal acclaim. The Audit Commission, the local government watchdog, has urged councils "to err on the side of caution in making investment decisions".

Local authority treasurers feel trapped between a rock and a hard place. The same Audit Commission has urged them to make better use of their deposits, and councillors are desperate to reduce costs and increase income. The larger councils can afford well-staffed treasury divisions, but the smaller ones must rely outside advice or consult standard rating guides.

The collapse of BCCI is only the latest event to have highlighted the search by local councils for new ways to increase income and finance expenditure. Western Isles' loss of £23m in BCCI comes just three years after the council was criticised by the Commission of Local Authority Accounts in Scotland, the Scottish local government watchdog, for lending £20m of borrowed money to local authorities in England. This practice became common in the mid-1980s when some councils found it hard to borrow on the capital markets because of adverse publicity over policy or failure to set a legal rate. Friendly councils with a better reputation for financial management had easier access to funds and at lower interest rates. They acted as intermediaries and earned themselves a turn on the transaction.

More bizarre finance instruments were used to raise funds by selling town halls and leasing them back, selling council mortgage books to foreign banks and pledging lamp-posts and abbattoirs as security for loans. Liverpool council – under the deputy leadership of Mr Derek Hatton – was notoriously saved from bankruptcy by loans from Swiss and Japanese banks. A series of government measures closed off the options for such innovative financing, with stronger barriers between current and capital accounts and tighter controls on capital spending.

That led to local councils' foray into the sterling futures and options markets. Swaps and options were sensibly used to manage interest payments and structure debt, but councils such as Hammersmith and Fulham found they were able to earn an income by becoming principals in the market. This small London borough underwrote deals to the tune of £6bn between 1987 and 1989, all apparently without the knowledge of councillors.

Now the BCCI collapse has again opened the question of council competence in these arcane matters. The first reaction has been a "flight to quality" from secondary and tertiary banks to the main clearing banks and large building societies. Councils which have made losses will no doubt review their controls: councillors may wish to delegate fewer powers to officials. And senior finance staff are unlikely to leave it to their juniors to decide where the crown jewels should be stored. But if local authorities are to continue as players in fast-moving financial markets, greater skills will be needed than have been demonstrated hitherto.

LETTERS

Why break-up of BT would be short-sighted

From Mr Tony Young.

Sir, I can agree with your leader ("Second chance to shape BT", July 16) that "the government's telecommunications policy is in confusion" – but this confusion is of the government's own making. The duopoly review was rushed in unseemly fashion in spite of protests from us and others that more time was necessary for consideration of the complex issues.

However, once a deal was made, it should have been honoured. Certainly this is the way we negotiate.

Even in advance of any possible reference to the Monopolies and Mergers Commission, you advocate an option never considered in the duopoly review: the break-up of British Telecom along American lines.

The irony is that the divestiture of AT&T was not the result of a careful and open review but essentially an out of court settlement between three men.

In any event, what might be appropriate for a country of continental size like the US is not necessarily suitable in the much smaller context of Britain. After all, each of the regional Bell operating companies is a multinational corporation of similar size to British Telecom.

Certainly we in Britain would be extremely short-sighted and small minded if we were to break up one of Britain's leading companies. Such an reorganisation would be a massive diversion from the real job of improving quality of service to the customer; it would immeasurably weaken BT's ability to become a leading player in the global telecommunications market; and – not insignificantly – it would be a major breach of faith with BT shareholders who would have found no mention of this in the prospectus.

Tony Young,
general secretary,
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150 Brunswick Road,
London W5

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

BCCI: the shattered illusions and the suggested need for 'health warnings'

From Professor Gerald Vinten.

Sir, It provided temporary comfort to believe that the worst and long-lasting excesses of the US Savings and Loans fiasco could not occur in the UK due to the innate superiority of the banking supervision system here. The illusion has now been shattered by the case of the Bank of Credit and Commerce International (BCCI). It is clear that the credit was best never extended, and any commerce is now in shreds. The official complacency over this predictable and avoidable episode is amazing. Let us examine some of the actors.

First, the Bank of England, with its constant marginal interventions in the banking system, but an inability to cope in a timely fashion where a whole bank is rotten to the core. One is reminded of the comment by Ian Hay Davison, a former chairman of the Accounting Standards Committee, that not only the apples are rotten but also the barrel, and the biblical parable of the mote and the beam. The owners and managers of the bank were well known not to be "fit and proper", yet BCCI was allowed to grow like a cancer up and down the country.

Second we have the Serious Fraud Office. The criminal and fraudulent potential of BCCI was well known to fraud squads even before the drug money laundering came to light, as revealed in the police interpretation of BCCI as Bank of Criminals and Conmen International.

Third we have Ian Brindle, of auditors Price Waterhouse, trying to argue his way out of the imprecision or the external audit. Knowing full well of the irregularities from the start, Price Waterhouse chose to leave the reader of the accounts to blow up an obscure note to the accounts and realise the full significance. May I remind Mr Brindle of the judgment in re London and General Bank (1895) that:

"An auditor who gives shareholders means of information, instead of information in respect of a company's financial position, does so at his peril, and runs the very serious risk of being held, judicially, to have failed to discharge his duty".

It would be pleasant to forecast that lessons would now be learned for the umpteenth time, and that the probability of a recurrence would be slight. Unfortunately history suggests otherwise.

Gerald Vinten,
Luton College of Higher Education,
Park Square, Luton,
Bedfordshire

From Mr R C Sturmer.

Sir, The failure of the Bank of Credit and Commerce International provides some lessons but also prompts some solutions.

It is stunning that non-banking, wholesale depositors could believe that a list of several hundred banks approved under the Banking Act implied that all were equally creditworthy. Surely it would be obvious that not all of them were equally capitalised; starting from £5m and going up to several billions of pounds. Perhaps, the Bank of England should add a "health warning" to the effect that all banks are not the same and that lenders should conduct their own credit assessments. And perhaps only professional money-market players should have access to the wholesale market.

The Bank of England has been attacked for not acting earlier. However, UK legislation must take most of the blame since discretion to take account of opinions of practitioners – or those "feelings" which all businessmen rely on in their assessment – has given way to factual, mechanistic measures as a result of the Banking Act. The central bank would be hard-pressed to refuse approval to a qualifying applicant, and even more reluctant to revoke an existing one without irrefutable justification. It would fear legal action by aggrieved shareholders and depositors who might suffer unnecessarily should the judgment prove false. Could this be remedied if the Bank were to be exempted from legal action when exercising its role as regulator?

It seems that many of the larger lenders placed funds via brokers who matched givers and takers of money for a commission while taking no responsibility for the creditworthiness of either party. If the market is to continue embracing diverse counter-parties, brokers might at least be expected to help the non-professionals in placing their funds qualitatively.

Perhaps the real lesson is that no amount of legislation and regulation in themselves are enough to protect non-professionals when the vast range of products even proves difficult for many full-time advisers. The usual response of the legislators, apart from revising existing laws and introducing new ones, is to devise compensation schemes whereby the good compensate for the bad. This is not the full answer. A better appreciation of risk/reward factors and more training for the intermediaries and participants is the best solution.

R C Sturmer,
panel chairman,
Institute of Chartered Secretaries and Administrators,
16 Park Crescent, W1

Greece, too, is committed to a minimum training levy

From Mr Stelios Argyros.

Sir, Your correspondent, William Dawkins, makes reference in his article, "France refines envied training system" (July 5), to a statutory minimum of the wage bill that has to be spent on training and says that no other European country has such a rule.

For your information, a similar rule exists in Greece as of 1989, where 0.2 per cent of the wage bill must be spent on workers' training. Furthermore, in the labour agreement signed between employers and the labour unions in 1991, this amount was increased to 0.45 per cent following a proposal made by the Federation of Greek Industries.

Even though this is not very high it is a good beginning and an indication of the importance that the social partners place on workers training.

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5 Xenofontos Str.,
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FINANCIAL TIMES
Thursday July 18 1991

Shrinking foreign trade and decline in oil production underline collapse of economy

Soviet GNP fell by 10% in first half

By Leyla Boulton in Moscow

THE COLLAPSE of the Soviet economy was illustrated vividly yesterday with figures showing a 10 per cent decline in gross national product and a contraction of 37.1 per cent in foreign trade in the first half of this year.

Goskomstat, the official statistics agency, also forecast that Soviet oil production would reach its lowest level since the mid-1970s, after a 10 per cent fall in the first six months to 263m tonnes.

Mr Vadim Kirichenko, Goskomstat's director, said he expected oil output to fall to 508m tonnes by the end of this year, from 570m tonnes in 1990.

Separately, an economist with the Soviet employers' association said that 1,200 out of the country's 20,000 large- and medium-sized enterprises stood idle at any one time in the first half, because of the collapse of the administrative system and the consequent disruption of distribution.

Mr Sergei Alexashenko said this figure referred to industrial enterprises which stopped production for more than a month because of parts and material shortages. He said managers forced to stop production continued to pay workers by taking out bank loans.

Publishing its half-yearly statistics, Goskomstat reported the union budget deficit for the first five months of this year at 39bn roubles. This exceeded a government target for this period by 46 per cent.

Taking into account, huge price rises on April 2, the retail price index rose 48 per cent in the first five months of this year. National income declined by 12 per cent, while productivity in the state sector, which accounts for the bulk of the economy, fell 11 per cent.

The one bright spot a first-half trade surplus of 4.9bn roubles; however, that success resulted from a halving of imports, as a result of acute shortages of hard currency. The volume of foreign trade was put at 77.5bn roubles.

Exports declined 23.4 per cent, mainly as a result of difficulties in the oil sector. Coal production was down 11 per cent to 320m tonnes.

E Europe output down, Page 2

Washington retains use of Subic naval station for next 10 years

US to give up Philippines air base

By Greg Hutchinson in Manila

THE Philippines and the US yesterday reached agreement on a new military bases treaty that will allow Washington use of the Subic naval station for 10 years.

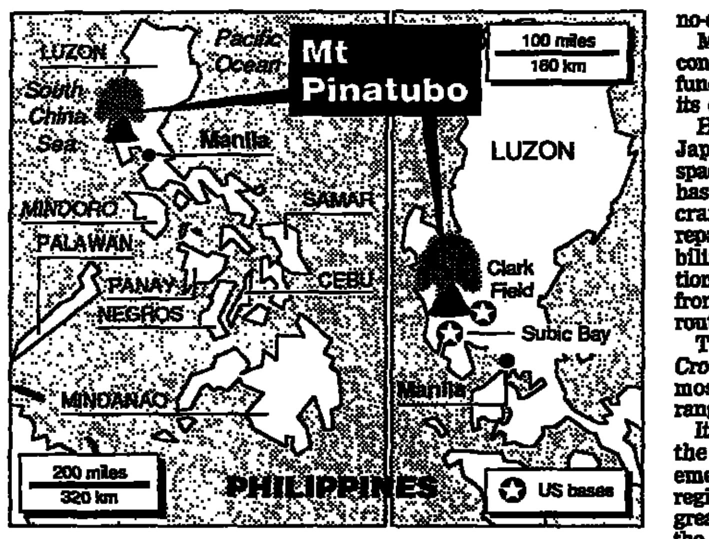
A statement by Mr Stanley Schrager, the US spokesman at the talks, said the US would turn over Clark air base, badly damaged by eruptions from Mount Pinatubo volcano, to Manila by September next year.

The agreement ended 14 months of arduous negotiations and guaranteed a US military presence in its former colony into the 21st century.

Agreement was hastened by the eruptions of Mount Pinatubo which substantially depreciated the bases' value to the US and reduced the negotiating position of the Philippines government.

A series of eruptions started on June 14-15, and disabled Clark air base and Subic naval station and led to the evacuation of 500,000 people, most of whom remain homeless and without jobs. At least 450 people died.

"In view of the calamitous effects of Mount Pinatubo, the resources required to restore Subic naval base to operational effectiveness justify a tenure of 10 years for US forces beginning on September 17, 1991," the agreement stated.



Clark air base will be vacated after September 16, 1992, the date, the US argues, the current agreement expires.

Other smaller facilities will be handed over by September 16 this year.

The agreement must be ratified by the Senates of both countries.

Yesterday's pact falls short of what the Philippines had hoped for. Next year, the country will receive $323m bases-related compensation from Washington, the amount the US offered and the Philippines rejected before the volcano erupted.

The statement said "other assistance" worth $227m would be forthcoming for fiscal 1992.

For the duration of the agreement, the country will receive $203m a year, excluding economic and other assistance not directly tied to the US military presence in the Philippines.

The two sides roughly calculated the annual total at $400m-$500m, bringing into account the provision of surplus US material, economic assistance, the use of Philippine products on America's other Pacific bases and the "lending of US good offices" to Philippine efforts to raise special funds to reconstruct volcano-devastated central Luzon.

Mr Schrager said the US was considering how to transfer the functions of Clark to Subic and its other Asia-Pacific bases.

However, American bases in Japan are already short of space. So is Singapore, which has agreed to host some aircraft and perform limited repair work. Guam is a possibility for many of the functions, but it is farther away from east Asia's main shipping routes.

The Americans also lose Crow Valley, one of the world's most sophisticated training ranges for fighter aircraft.

It is this loss which will have the biggest impact on the emerging air forces of the region. They will be left with greater responsibility to keep the peace as America reduces its armed presence.

Most of the countries of the Association of Southeast Asian Nations have regularly used Crow Valley, now drowned in metres of mud and ash from Mount Pinatubo.

Meanwhile, President Corazon Aquino announced yesterday the replacement of Mr Fidel Ramos, the former defence secretary.

He resigned last week to start officially campaigning for the presidency.

The new appointee is General Renato de Villa, a former armed forces chief and close friend of Mr Ramos.

Nasty shock for Italy's 270,900 tax evaders

By Haig Simonian in Rome

THE morning papers yesterday brought an unpleasant surprise for dozens of Italians who woke up to find their names splashed across the front pages as part of the government's latest crackdown on endemic tax evasion.

The move, heralded by finance minister Mr Rino Formica earlier this year, involves the release of a list of around 270,900 citizens who have been challenged over their tax declarations over the past 10 years.

While newspaper publication of the names of the biggest tax dodgers will further shame those who have already crossed swords with the tax authorities, the main aim is to encourage others who may be fighting shy of declaring their income to own up.

In all, the unpaid tax and fines collected from those on the list amounted to L33,000bn ($24bn) according to the authorities. Although there are few estimates of the size of Italy's black economy, or the amount of unpaid tax due, no one doubts that cracking down on tax evasion would go a long way to plugging the ever-growing gap in the government's finances.

According to latest estimates, there is already a shortfall of around L20,000bn between receipts and spending so far this year.

Tougher measures to control tax evasion are a key demand of the trade unions, locked in talks with the government and employers on reforming wage bargaining and lowering production costs.

Unlike the self-employed, Italy's most flagrant tax dodgers, employees of big companies have tax deducted automatically from their pay packets.

However, the list, which includes a number of well-known entertainers, sportsmen and other personalities, has already triggered a wave of protests. For among the inveterate tax-dodgers and other fiscal degenerates cited in the government's list, or Red Book, are many Italians who appear only to have been included as a result of relatively minor transgressions.

The list confirms many clichés, while producing some surprises, about the Italians. Many of the alleged miscreants stem from Naples and the south. But, the list shows that tax evasion is easily as widespread in the theoretically-respectable north, and often for much bigger sums.

The hard-working and somewhat dour Piedmontese appear to be particularly tax shy, perhaps explaining why their fellow-citizens often compare them with the Scots. According to Mr Formica's list, one rich Torinese businessman failed to declare no less than L36.9bn in income in 1984.

UK banks 'withheld full interest rate cuts'

By Peter Marsh, Charles Batchelor and David Barchard in London

BRITAIN'S big banks failed to pass on the full benefit of recent cuts in interest rates to roughly one in three of their small business customers, according to a government report published yesterday.

The study by the Treasury and the Bank of England cleared the banks of any collusion in setting interest rates for small businesses, but did not fully exonerate them of criticisms that they have treated their small business customers badly.

The report found that some banks had increased revenues from services to these customers by up to 55 per cent over the past 6-12 months, sometimes without prior notice.

The study, commissioned last month by Mr Norman Lamont, the chancellor, is unlikely to halt complaints by small businesses that poor treatment by banks is worsening the problems caused by the recession.

There is also the prospect of a further government investigation into the banks as Mr Lamont said he was passing the details of the inquiry on to the Director General of Fair Trading.

Mr Lamont said the inquiry had received some "serious complaints" about banks' practices, and proposed a code of conduct for banks related to small businesses.

The chancellor said the banks had "undertaken to make sure that their managers are fully aware of the need to handle small business customers with due care and sensitivity". He said in six months the government would review progress by the banks in establishing the code of conduct.

The government report found that some 70 per cent of small business customers had benefited from the full impact of the 3.5 percentage point reduction in base rates between October last year and last month. Over this period, the government brought down rates to 11.5 per cent to stimulate the economy.

Those customers which had not received the full impact of the cuts had suffered largely due to commercial decisions taken by the banks about the risks involved in lending to specific customers.

According to the report, about 95 per cent of all small business borrowers had received the benefit of at least 3 points of the total 3.5 percentage point cut in rates over this period.

Some 1,000 letters were received during the inquiry, which focused on eight banks – Barclays, NatWest, Lloyds, Midland, the Royal Bank of Scotland, Bank of Scotland, TSB and Standard Chartered.

Editorial Comment, Page 14
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Pledge to see Gatt talks end in success by year-end

Continued from Page 1

towards agreeing wide-ranging debt relief for the poorest developing countries;

● Set out a series of goals for safeguarding the environment. The conference failed, however, to obtain US commitments for controlling greenhouse gases.

Mr Major said there was "very strenuous discussion" among the leaders on aspects of the environment and the trade talks.

Some of their strongest language in the communiqué concerned the Gatt round. "No issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round," it said.

The summit called for sustained progress in the Geneva trade negotiations over the rest of this year and said it was urgent that the talks move forward in the areas of market access, agriculture, services and intellectual property.

On agriculture, the leaders agreed that there must be specific binding commitments covering domestic farm support, market access and export subsidies so that "substantial progressive reductions of [farm] support and production may be agreed in each area" provided non-trade concerns were taken into account.

After the summit the leaders made clear their credibility was at stake on the trade issue following the debacle after last year's Houston summit. That was when they agreed to "exercise the political leadership necessary" for successful outcome of the trade talks – only for them nearly to break down last December.

Mr Jacques Delors, the European Commission president, said the Commission's proposals for agricultural reform could help the Gatt round to success. Yesterday's statement marked real progress from last year's summit, he said.

Old Fritz is returning home after 200 years

Leslie Colitt finds Germans have mixed feelings about relocating Frederick the Great

FREDERICK the Great's return to Potsdam next month, where he is to be reburied with great pomp, is proving as controversial as the Prussian state he expanded so mightily.

On August 16, the plain zinc coffin of "der Alte Fritz" – as the reclusive monarch, who died in 1786, was known to his subjects – will embark on a 20-hour journey aboard a former royal train from Hechingen in south-west Germany to Potsdam outside Berlin. Some Germans are worried that the symbolism of the reburial in the heart of former Prussia will send the wrong signals to the world at large. Residents of Potsdam are concerned that the monarch's tomb could be a pilgrimage site for neo-Nazis.

Nearly 100,000 people are expected to line the streets when the horse-drawn chariots bearing the caskets of Frederick II and his father, Frederick Wilhelm I proceed from the Kaiser Bahnhof to their resting-place near Frederick's beloved Sans Souci Castle. Chancellor Helmut Kohl is expected to interrupt his holiday to attend the ceremony. Eight German army officers are to stand guard at the coffins while a Bundeswehr band plays funeral dirges.

Ms Herta Däubler-Gmelin, deputy-chairman of the opposition Social Democrats (SPD) in Bonn, said she would be deeply worried if the ceremony became a "political spectacle". In spite of Prussia's positive aspects, many foreigners see it as a symbol of militarism and nationalism, she said.

Ironically, the ceremony surrounding Frederick the Great's return is being organised by the SPD-led state government of Brandenburg of which Potsdam is the new capital. Mr Manfred Stolpe, Brandenburg's prime minister, will host a reception for descendants of the Hohenzollern family in the New Palace in Potsdam on August 17, the 205th anniversary of Frederick the Great's death. Prince Louis Ferdinand of Prussia, nephew of the last German Kaiser, will officiate.

Potsdamers have mixed feelings about the event. Ms Sylvia Herken, who recently lost her job, had nothing against Frederick being brought home. "But the hurly-burly annoys me, especially in the rotten economic situation we are in."

The remains of the two Fredericks were removed to Hechingen in 1952. They were to remain there until Germany was reunited. Events moved faster than anyone expected.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	27	81
Algiers	S	32	90
Amsterdam	S	19	66
Athens	S	32	90
Bahrain	S	34	93
Bangkok	C	33	91
Barcelona	S	27	81
Beirut		–	–
Belfast	C	14	57
Belgrade	F	30	86
Berlin	F	21	70
Biarritz	F	22	72
Bombay	R	25	77
Bordeaux	F	24	75
Boulogne	F	18	64
Brussels	C	19	66
Budapest	S	29	84
Buenos Aires	F	13	55
Cairo	S	36	97
Cape Town	S	23	73
Caracas	C	28	82
Casablanca	S	33	91
Chicago	S	22	72
Cologne	F	20	68
Copenhagen	R	14	57
Corfu	S	32	90
Dallas	S	23	73
Dublin	C	14	57
Dubrovnik	S	30	86
Edinburgh	C	18	64
Faro	S	31	88
Florence	S	33	91
Frankfurt	F	23	73
Geneva	S	21	70
Gibraltar	S	26	79
Glasgow	R	15	59
Helsinki	F	21	70
Hong Kong	S	31	88
Innsbruck	T	15	59
Inverness	C	17	63
Islamabad	F	37	99
Istanbul	S	27	81
Jakarta	C	34	93
Jersey	C	18	64
Johannesburg	S	16	61
Lima	C	20	68
Lisbon	S	36	97
London	F	21	70
Los Angeles	C	18	64
Luxembourg	F	21	70
Madeira	F	25	77
Madrid	S	36	97
Majorca	S	28	82
Malaga	S	32	90
Malta	S	30	86
Manchester	C	17	63
Manila	F	34	93
Melbourne	C	10	50
Mexico City	C	22	72
Miami	S	28	82
Milan	F	27	81
Montreal	F	23	73
Moscow	F	21	70
Munich	R	16	61
Nairobi	F	22	72
Naples	S	28	82
Nassau	C	33	91
New Delhi	F	34	93
New York	S	26	79
Nice	S	27	81
Nicosia	S	28	82
Oporto	S	29	84
Oslo	R	17	63
Paris	S	21	70
Peking	C	26	79
Prague	S	24	75
Reykjavik	C	14	57
Rhodes	S	27	81
Rio de Janeiro	F	28	82
Rome	S	27	81
Salzburg	T	21	70
San Francisco	C	14	57
Seoul	C	27	81
Singapore	F	32	90
Stockholm	F	20	68
Strasbourg	F	23	73
Sydney	S	15	59
Taipei	F	33	91
Tangier	F	33	91
Tel Aviv	S	28	82
Tenerife	S	28	82
Tokyo	F	30	86
Toronto	S	21	70
Tunis	S	29	84
Valencia	S	30	86
Venice	S	28	82
Vienna	C	25	77
Warsaw	F	22	72
Washington	S	24	75
Zurich	F	20	68

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Bankers at the margin

The UK Treasury has gone so far in exonerating the clearing banks from overcharging small business customers that its report has produced an opposite embarrassment. It suggests they have done almost nothing to raise loan margins at a time of rapidly deteriorating risk. Base rate cuts have been fully passed on to about 70 per cent of customers and only a tiny minority have faced margin increases of more than 0.5 percentage points. Admittedly the banks have squeezed extra fee income out of small businesses, but that will hardly compensate fully for losses in a sector where business failures have proliferated.

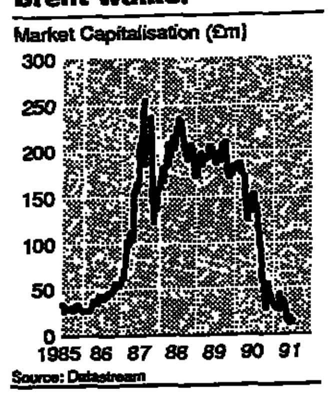
In the banks' forthcoming interim results season attention will inevitably focus on bad debt provisions. But these are a matter of history and reveal little about how the banks are positioned to improve future operating earnings. If there has not been much gain in margin income from small business, the same must apply to big ticket corporate deals, though for slightly different reasons. Nominal margins have risen on larger deals; but since the terms of big deals are revised less frequently, this has been slow to flow through to the entire loan book. In addition, interest income has suffered from the high incidence of non-performing loans, while loan demand has been depressed by the recession and through companies seeking alternative finance in the form of rights issues and bond offerings.

Still, there should be some overall improvement in operating profitability as a result of cost-cutting and fee income. The first-half strength of the stock market could also have produced a bonus from equity trading at Barclays and National Westminster. Meanwhile, the sluggish loan market may yet have a silver lining for shareholders. It should go some way to reducing the pressure on the clearers to accompany their figures with rights issues.

FT-SE Index: 2,561.0 (+4.2)

Brent Walker

Market Capitalisation (£m)



Source: Datastream

Laura Ashley

Laura Ashley has been an unconscionable time choosing a new chief executive. Mr James Maxmin, on whom the mantle has finally landed, faces an uphill struggle in rebuilding the company's earnings. The plus point is that the balance sheet has already been sanitised with last year's disposals and an injection of capital from Jusco of Japan. That should produce a sharp fall in interest charges from last year's £12.5m, but much more will be needed to turn last year's 2.6p loss per share into earnings which justify the current market price of 71p.

Mr Maxmin is a marketing man who can doubtless do great things with Laura Ashley's brand name. Given the company's past problems in both manufacturing and retailing and the need to prevent debt rising sharply again, the way forward seems to be through licensing. That would make Laura Ashley more a Dunhill-type operation than a traditional retailer. But the strategy could not pay off overnight, and the risks are increased by the need to reposition the brand for the younger customer. Even if this succeeds, Laura Ashley would still need pre-tax profits of about £20m to trade on a roughly comparable multiple to Dunhill. That was last achieved two years ago.

Brent Walker

Yet again, it appears that the Brent Walker rescue is teetering on the edge of failure. The problem is not merely that three banks are holding out entirely. There are also a further 13 or so which will only put in new cash subject to conditions which may or may not prove realistic. As was demonstrated afresh yesterday by Brent Walker's defeat in the High Court over the £50m owed to Grand Metropolitan, more cash may be needed.

It might seem extraordinary that a £1.3bn rescue could fail for want of the odd million. But those banks who are convinced that good money should not be thrown after bad cannot be bought out without the others clamouring for equal treatment. Meanwhile, the directors of Brent Walker will be aware that if progress is not made day by day, they must throw in the towel or risk prosecution for trading while insolvent.

The real question is how much it matters whether Brent Walker goes under or not. The market value of its equity is now a mere £13m, which is probably less than the bankers' fees. Whether or not the group goes into receivership, the banks end up owning the assets. In the event of receivership they would be seen as forced sellers, but they are scarcely natural holders as it is. The rescue plan envisages holding on to the pubs and betting shops for a while. But they would doubtless be sold as soon as the price was right.

The real difficulty for the banks is that receivership would give them less discretion over the amounts they wrote off their balance sheets. For Standard Chartered, especially, this could prove damaging. But it is the function of recession to purge excesses, whether of borrowers or lenders. To put it another way, if mistakes have been made they might as well be seen to be paid for.

Rights issues

Yesterday's £31m cash call from the engineering group Howden is a reminder that the London market is still plagued by the rescue rights phenomenon. Howden, it may be recalled, last week produced an 86 per cent drop in profits and passed its final dividend. The recent history of such issues is not encouraging. Ferranti had a one-for-four issue at 25p a year ago; the price is now 8½p. Cannon Street Investments had an issue in April at 90p and the price is now 59p. The great turkey of them all, Rosehaugh, had a one-for-one at 200p in February of last year and the price is now 34p.

It must be conceded that not all such issues have been disasters. Granada, Cookson and McCarthy & Stone are all trading above the issue prices of earlier this year, though in each case by only a penny or two. It is also probable that the conventional rhetoric about fresh funds being needed for the upturn will in some cases eventually prove true. But none of that is an argument for actually subscribing for the rights, since the cash injection has already been seen to by the underwriters. If Howden runs anything like true to form, the strategy even for optimists is simple; sell the shares cum rights, then pick them up cheap in the after-market.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 18 1991

INSIDE

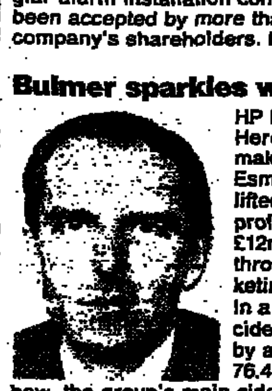
Laura Ashley names new chief executive

Laura Ashley, the fabrics and clothing group, has appointed a new chief executive, Jim Maxmin. David Owen talks to the man once renowned for his "bullshit" stamp with which he used to condemn deserving correspondence. "I lost it – but it might not be a bad idea to go and find it again," he says. Page 26

East Midlands buys alarm group

East Midlands Electricity yesterday announced its second acquisition since privatisation with the purchase of Ambassador Security, a burglar alarm installation company. The offer has been accepted by more than 53 per cent of the company's shareholders. Page 26

Bulmer sparkles with 20% rise



HP Bulmer Holdings, the Hereford-based cider maker headed by Esmond Bulmer (left), lifted full-year pre-tax profits 20 per cent from £12m ($19m) to £14.4m, through vigorous marketing and a sales drive. In a year when total UK cider consumption rose by almost 10 per cent to 76.4m gallons, Strongbow, the group's main cider brand, increased its market share to lead in both the licensed and off-licence trade. Page 26

Big bang for Johannesburg

Newcomers to South African investment are discovering that the Johannesburg Stock Exchange remains largely untouched by the wave of deregulation which swept international markets in the 1980s. The issue of whether the JSE should have its own "Big Bang" is being hotly debated, however, and recommendations will be made to the government within the next two months. Page 24

Back to earth with a bump

Hong Kong's stock market has a habit of proving forecasters wrong. It ran true to form again this week: officials had scarcely finished toasting each other on Tuesday after the Hang Seng index reached a record high when the index fell 50 points. The fall followed rumours that two small banks were in trouble because of the closure of Bank of Credit and Commerce (Hong Kong). Back Page

Yokohama bids for UK bank

The Bank of Yokohama yesterday launched a £10.9m ($17m) recommended cash offer for the 13.3 per cent of Guinness Mahon Holdings it does not already own, which values the UK merchant bank at £61.9m. Page 27

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Fesca	18	TNT	22
General Consolidated	27	Telecom NZ	22
General Electric	21	Warner-Lambert	21

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Degussa	354	–	8
Herlitz	411	–	7
Kaufhof	486.5	–	10.5
Mercedes	600	–	11.5
Metallgesell	505.5	–	13
Thyssen	226.5	–	4
NEW YORK ($)			
Rises			
Coca-Cola	58¼	+	½
Owens-Corning	29⅜	+	2⅜
Triton Energy	31⅜	+	1⅝
Falls			
AMR	61¾	–	2⅛
Intel	44¾	–	1
Philip Morris	66¾	–	1½
PARIS (FFr)			
Rises			
Cap Gemini S	335.9	+	17.6
Cetelem	717	+	22
Total Fr Petro	857	+	27
Falls			
Accor	745	–	30
Fonc Lyonnaise	685	–	14
Navigation Mix	1150	–	49
TOKYO (Yen)			
Rises			
Tokai Kanko	435	+	34
Kokusai Kogyo	1350	+	100
Falls			
Komori Chem	842	–	77
Howa Machinery	790	–	60
Silver Seiko	503	–	38
Nagasakiya	1780	–	130

New York prices at 12.30.

LONDON (Pence)			
Rises			
Ambassador Sec	46	+	11
Carlton Comms	478	+	17
Central TV	745	+	117
Elect Data	166	+	10
Guinness Mahon	45	+	15
Hawker Sid'y	560	+	26
IMI	250	+	9
Scottish TV	449	+	34
Toye	208	+	7
Trans World	183	+	8
Falls			
Brent Walker	26	–	2½
Business Tech	50	–	7
Ellis Everard	178	–	6
Helton	33	–	10
Howden	40	–	6
Maxwell Comms	185	–	5
Microgen	152	–	7
Nobo	107	–	6
RTZ	574	–	16
Utd Biscuits	385	–	9

BNP to take Air France stake

By William Dawkins in Paris

AIR FRANCE, the loss-making French state airline, is preparing to issue FFr1bn ($164.7m) of new equity to Banque Nationale de Paris (BNP), the country's largest government-controlled bank.

BNP is the second French state financial institution this week to announce backing for a public sector industrial group, following the bank of Crédit Lyonnais' agreement on Monday to take a 20 per cent stake in Usinor Sacilor, the state steel maker.

It is also the first time Air France has been allowed to open its capital to a large shareholder outside the government, which holds 99.38 per cent of the capital. "We are just making concrete our long-standing relations with BNP," said Mr Bernard Attali, Air France chairman.

BNP, which last year took a 10 per cent stake in Pechiney, the state-owned aluminium and packaging company, is expected to receive a stake of 5 per cent to 10 per cent in Air France when the deal is finalised by the end of the year, said officials. They added that this was part of the bank's strategy of building a strong portfolio of industrial investments, now worth FFr18bn.

The recent share exchanges across the French public sector help state industrial companies bolster their capital without having to make too many calls on the government's strained budget resources.

The capital increase will aid Air France's latest three-year plan to 1993, approved by its board yesterday. It lays out the group's strategy for returning to profit during that period, from last year's FFr717.2m loss. Mr Attali would not predict when Air France might return to the black, but said: "This year will be very difficult. The recovery is slow."

The main points of the plan are to modernise the fleet, improve quality of service and concentrate more on the most profitable routes. In the autumn Mr Attali will also produce a staff "modernisation plan". "We want to lighten the hierarchy and make our people and our structure more commercially aggressive," he said.

Air France's three-year plan requires FFr5bn of fresh capital to keep debts at an acceptable level. Of that, the airline has so far found FFr3bn – BNP's contribution plus FFr2bn from the state.

The airline envisages investment of FFr39.1bn over the period, 65 per cent of which will be funded by cash flow and asset sales, for 66 new aircraft.

Air France also revealed yesterday that it had sold its remaining 24.92 per cent stake in TAT, France's largest regional airline, to Crédit National, the long-term credit bank. The sale was a condition imposed by the European Commission for allowing it to take over UTA, the long-haul carrier and Air Inter, the main domestic carrier, so creating one of the biggest airlines in the west.

Consumers are growing increasingly nervous as regulators move in on leading companies

Crisis of confidence shakes US insurers

Nikki Tait in New York looks at the problems besetting the insurance sector

IT IS called a crisis of confidence and has already claimed two of America's larger life insurance companies, with combined assets of some $23bn, as its victims.

Both California's Executive Life and Mutual Benefit of New Jersey have been seized by state regulators after adverse publicity about their investment portfolios caused investors to dash for the door, surrendering policies as they went. The move against Executive Life came last April; Mutual Benefit's takeover occurred on Tuesday.

There has been similar intervention by state regulators at a few smaller life companies. These comprise Monarch Life in Massachusetts, Executive Life of New York (the Californian group's sister company), San Diego's First Capital Life, and its associated operation, Fidelity Bankers Life Insurance, in Virginia.

It is hard to gauge precisely how many policyholders have been affected: many people are dependant on insurers' fortunes through group pension plans and the like. But direct life policyholders and annuity holders at Executive Life and Mutual Benefit number about 850,000. Include the smaller companies, and the figure doubles. That, moreover, is before adding the beneficiaries of group schemes. In short, this is no small problem.

The question troubling the US insurance industry is whether the problem is going to get any bigger. The alarm bells rang at Executive Life and First Capital, the first two seizures, because of heavy exposure to junk bonds. At Monarch Life and Mutual Benefit, the basic issue has been ailing property investments. Mutual Benefit incurred $200m of property losses last year.

The property problem is arguably more serious, because sizeable real estate-related investments are pervasive in the industry. Just under one-fifth of life companies' portfolios is invested in mortgage loans, and another 3.1 per cent in direct property holdings. Junk bonds account for about 5 per cent.

The degree of public nervousness is scarcely surprising. Politicians and investors – the thrift and banking industry debacles fresh in their minds – have for months debated whether the US insurance sector will be the next casualty of souring investments and, arguably, lax regulation.

Nor has it helped sentiment that Equitable Life, the country's third-largest insurer, appears to be anxiously trying to shore up its capital base through a radical transformation from mutual status to a shareholder-owned company. Lengthy negotiations with a potential investor, Axa Groupe of France, have been an all-too-prominent reminder of the industry's difficulties.

So consumers are wary. When Executive Life of California was seized, the repercussions for its healthier, New York-based sister company were immediate. Surrenders jumped from an average of 25 a day to some 400.

More recently, at Mutual Benefit, weekend press speculation about regulatory intervention caused policyholders to descend on the company's Newark headquarters, demanding cash. Directors then had little choice but to ask the regulators to step in.

There is no doubt the "confidence issue" gives an important twist to the basic problems, and may even be creating its own crises. Indeed, as one Wall Street analyst noted: "There are those who argue that Mutual Benefit remains fundamentally sound, but that the takeover gives relief for the immediate future." That said, a big question remains: how seriously awry are investment portfolios in the life industry?

Certainly, the property issue is thought to be significant – although, even now, few pundits preach a "doom" scenario. Analysts at Salomon Brothers, for example, published a lengthy report earlier this year, entitled Commercial Real Estate – A Manageable But Genuine Problem. The report argued that the worst property problems had yet to surface. But it said investors should differentiate between insurers reporting "moderate increases in non-performing assets that have little effect on current profitability", and those where a substantial rise could involve a sizeable write-off.

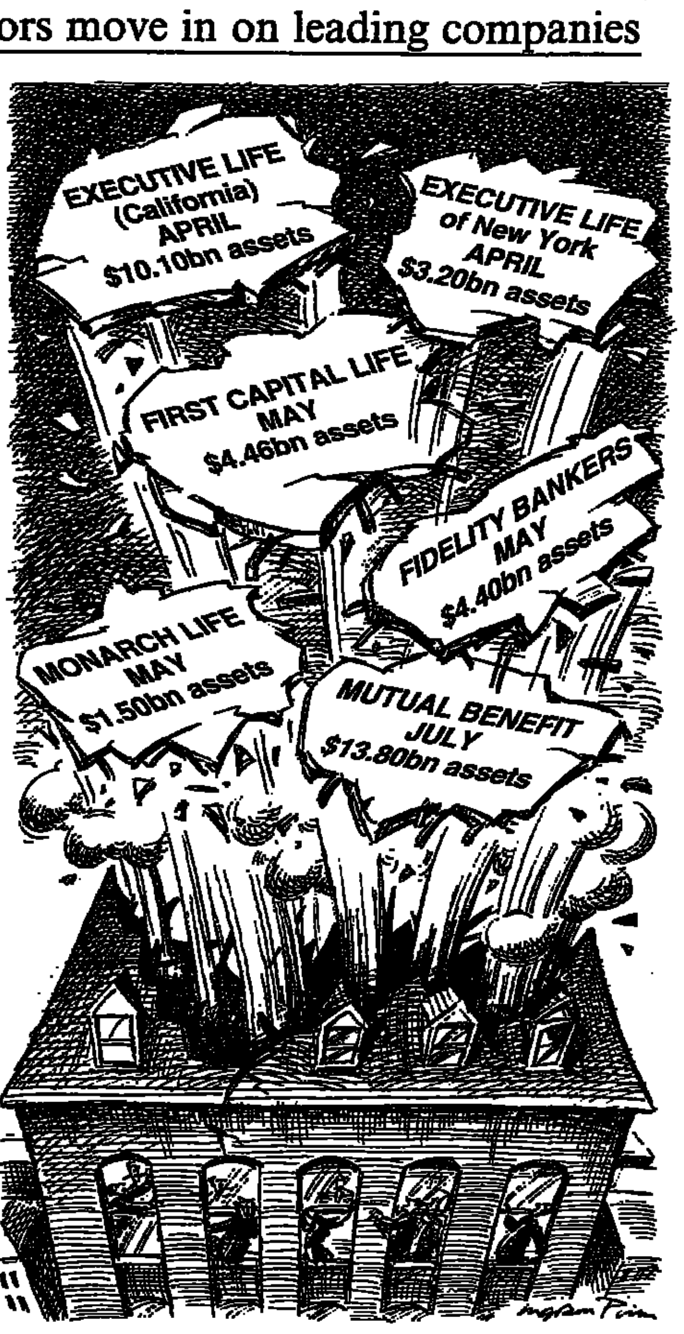
The large national companies, Salomon concluded, were not generally threatened, but smaller life groups with specific regional exposures were a more serious concern.

The report noted that about 15 per cent of industry mortgage loans mature between 1991 and 1993, making these years extremely sensitive. But it also pointed out that, unlike the banks, insurers tended to provide permanent funding to leased properties, rather than back highly-speculative developments.

Statistics bear out the worsening problem. Mortgage loan delinquencies have increased from about 3 per cent of the industry's portfolio in March 1990 to around 4.68 per cent a year later.

All that said, Mutual Benefit was undeniably at the extreme end of the industry. It held about 36 per cent of its assets in property-related investments. Increased vigour by regulators may also have contributed to the perceived problem. By taking early action, the insurance departments hoped to prevent policyholder runs, which can drain an insurer of its most liquid assets.

It is also true that policyholders have usually continued to receive full benefits after a company has been seized, although surrenders are almost always impossible. But, somehow, this scarcely negates the levels of anxiety which made Mutual Benefit's policyholders head for Newark last weekend.



Going through the roof: seizures of insurers' assets have left many wondering how large the problem really is.

AMR struggles back to profit

by Nikki Tait in New York

AMERICAN AIRLINES, one of the two largest US carriers, sent a shiver through the entire industry yesterday when its parent company, AMR, reported profits of just $10.3m after tax in the second quarter of 1991. This compares with $129.2m in the period a year earlier, although it does mark some recovery from the first-quarter loss of $195.6m.

The figures come after a $17m increase in reserves to cover the cost of lease terminations as the Boeing 737 fleet is phased out. Mr Robert Crandall, chairman, acknowledged that the results generally were "very unsatisfactory", and the earnings per share total of 15 cents was well below analysts' estimates of 20-30 cents.

American is the first of the US airlines to report second-quarter figures, and some pundits were quick to scale down profits forecasts for the sector. Shares in American tumbled $2⅛ to $61⅞, but this fall was echoed by UAL, parent of United Airlines, down $2⅞ at $141⅝, and Delta Air Lines, off $1⅞ at $73½.

Mr Crandall blamed the poor showing on a variety of factors, such as widespread price discounting in the industry. This, he noted, "is largely the consequence of the fact that almost 25 per cent of the US industry's capacity is being operated by bankrupt carriers". Such airlines, desperate for cash-flow, have been offering cut-price fares, which larger carriers have then usually matched.

"Until the industry overcomes its tendency to price its product on the basis of incremental costs, there will be little chance of real prosperity," added Mr Crandall.

American also blamed that the continued secondment of 200-plus pilots for the Desert Storm operation in the Gulf; disruption arising from strained labour relations at the end of last year; and, to a lesser extent, the cost of reallocating equipment to serve its newly-acquired routes into London's Heathrow airport. Mr Crandall expected to have all American's pilots back in the US by mid-September.

Despite Mr Crandall's comments on price-discounting, American did see operating revenues rise by 7.5 per cent to $3bn year-on-year, while revenue yield per passenger mile increased by 1.3 per cent, to 12.9 cents. The load factor dropped marginally to 63.5 (63.8) per cent. Operating profits were more than halved to $100.6m ($218.2m).

The second-quarter figures leave the company with a half-year after-tax deficit of $185.3m.

Small firms welcome move by OFT on new issues

By Simon London in London

SMALLER firms active in the international bond market yesterday welcomed the decision by the UK Office of Fair Trading to look at new-issue practices.

Some firms said they were considering a formal approach to the OFT on the matter. A group of small Swiss private banks is meeting later this week to consider a formal submission.

The smaller banks with retail client bases fear that new syndication techniques – in particular the fixed-price re-offer system of issuing bonds – make it unprofitable for them to carry on their traditional business.

Many of these firms do not participate in the underwriting groups for new issues and rely on being able to buy bonds from the syndicate to sell on to private clients at a higher price. Under the fixed re-offer mechanism this is impossible, because there is only one trading price, set by the lead manager, in the early stages.

Bigger firms in the mainstream of the Eurobond market said the interest of the OFT would bring the debate on new-issue practices into the open.

"I don't think they will find a cartel but I am delighted to see an investigation. There has been a lot of coercion and bad-mouthing in the market," said a syndicate official at a leading Japanese securities house which has not been approached by the OFT.

The OFT has written to seven Eurobond houses asking for information on new-issue trading practices. The seven are: Credit Suisse First Boston, Deutsche Bank Capital Markets, J.P.Morgan Securities, Morgan Stanley International, Paribas Capital Markets, Nomura International, and UBS Phillips & Drew.

The OFT said the letter was a "polite enquiry" arising from press reports late last year of informal meetings of the big firms to discuss new-issue techniques and fees to underwriters.

The Association of International Bond Dealers, the self-regulatory organisation for the Eurobond market in the UK, said it had not been told of the letter by the OFT. The rules of the AIBD are recognised by the Securities and Investments Board and approved by the OFT.

However, the AIBD rule book does not cover new issues. This area is left to the International Primary Markets Association (IPMA), a sub-group within the AIBD which draws up its own guidelines with the approval of the SIB.

Mr John Langton, chief executive of the AIBD, said: "I do not believe that our market has any cartel-like characteristics."

PepsiCo buys into Polish chocolates

By Christopher Bobinski in Warsaw and Nikki Tait in New York

PEPSICO, the US soft drink and food company, is to pay $24m for an inital 40 per cent share in Polands Wedel chocolate factory.

The remaining 60 per cent of the capital will be shared equally between the government, the public and the workforce. PepsiCo said yesterday it could eventually increase the stake and did not rule out majority control.

Other western companies, including Nestlé, had shown interest in Wedel.

The sale is the largest western equity investment under Poland's programme to attract foreign capital.

Wedel is one of Poland's best-known confectionery producers with sales at home and abroad worth $58m in 1990.

PepsiCo will spend $56m enlarging Wedel's production facilities and building a new plant to produce snacks.

The announcement came in the wake of the publication of plans by Coca Cola to invest $50m in new factories in Poland.

PepsiCo first moved into Poland in 1972, and operates nine bottling plants in the country. Its international interests cover three areas – soft drinks, snack foods and fast food restaurants.

Safra Republic earnings advance 18% in first half

By William Dullforce in Geneva

SAFRA Republic Holdings, the European private banking group headed by Mr Edmond Safra, yesterday reported an 18 per cent advance in first-half net earnings to $40.5m against $34.2m in the first six months of last year. The net profit per share was $2.28 per share against $1.92.

The group, which operates banks under the Republic National name in Geneva, Luxembourg, France, Guernsey and Gibraltar, recorded a net profit of $21m in the second quarter compared with $19.5m in the first three months.

For 1990, Safra Republic posted net earnings of $71.5m, or $4.01 per share, and paid an unchanged dividend of $2 per share.

Client deposits at the end of June amounted to $5.8bn, or roughly $1bn more than a year earlier, but were down slightly from the $5.9bn shown at the end of March.

The appreciation of the dollar had resulted in a fall of about $125m in the value of deposits not denominated in dollars, Safra Republic said. Off-balance sheet fiduciary deposits and securities amounted to about $1.6bn.

Consolidated assets at June 30 totalled $8.56bn, up by 19 per cent from the end of June 1990. Shareholders' equity of just over $1bn equalled 12 per cent of total assets.

An improvement in margins and higher volume brought about an increase in second-quarter net interest income to $36.4m from $30m in the corresponding period.

Over the six months, net interest income reached $72m against $59m for the first half of 1990.

Provisions for loan losses during the second quarter amounted to $7m. With charge-offs of $3.8m this took loss provisions to $12m at the end of June, equivalent to 1 per cent of total lending.

● Separately, Banca della Svizzera Italiana, Switzerland's sixth biggest commercial bank and now under the control of Swiss Banking Corporation, announced that it had realised a first-half gross operating profit well above that budgeted for, but did not give figures.

BSI foresaw a good 1991 result despite the higher provisions that would be called for as a result of the economic slowdown and high interest rates. In 1990 the Lugano-based bank recorded almost unchanged net earnings of SFr58m ($37.5m) and paid an unchanged dividend.

During the first half of this year, BSI increased its total assets by 13 per cent to SFr10.4bn, half of the increase being attributed to the higher dollar rate and half to a real increase in turnover.

Lending advanced by 13 per cent to SFr6.28bn while customer deposits increased by 5.5 per cent to SFr6.35bn. *Fiduciary deposits totalled SFr7.8bn* by the end of June.

ICI sells 25% stake in Ellis & Everard

By Robert Peston in London

ICI, Britain's biggest *chemicals manufacturer*, yesterday sold its 25 per cent stake in Ellis & Everard, the chemicals distributor, for £35m ($56m).

ICI is in the process of reorganising its operations to concentrate *on core activities* which have the potential to develop into global businesses.

The company said the disposal should be seen in that context and "follows similar sales of shareholdings in Enterprise Oil and the joint venture with Nalco Chemical Company".

ICI has owned the shares for more than 20 years. It waited for the distributor's results for the year to April 30, which were published on Monday, before making the disposal. Ellis's pre-tax profits rose 14 *per cent to £17.5m on sales of* £358m.

The shares were bought by Ellis's broker, Barclays de Zoete Wedd, the securities arm of Barclays. Mr Nick Brigstocke, deputy chairman of BZW's corporate broking operation, said he had been in talks with ICI for some time about buying the stake.

Mr Brigstocke said all the shares were placed first thing yesterday morning with institutions at 170p, compared with an opening price of 184p.

BZW made a turn of about 1p per share on the deal, giving it an estimated profit of £350,000.

Shares in Ellis closed 6p lower at 178p.

Feldmuehle Nobel warns on net profit

FELDMUEHLE Nobel expects 1991 group pre-tax profit to rise above 1990's DM540m due to increased operating earnings, but it warned group net profit would probably fall, Reuter reports.

Mr Heribert Blaschke, the management board chairman, *told the annual meeting that* net results would probably be lower this year because extraordinary earnings included in 1990 results would not be repeated this year.

A state enmeshed in a tangled web

George Graham reports on the confusion of the French public sector

THE merry-go-round of nationalisation and privatisation since 1945 has left the French public sector with confused boundaries and *a tangled interior*.

In the last week, the tangle has become even more complicated with the sale of a 20 per cent stake in state-owned steelmaker Usinor to Crédit Lyonnais, one of the two big state-owned banks, and the sale of a 5 to 10 per cent stake in state-owned airline Air France to Banque Nationale de Paris, the other big state-owned bank.

These are not the first deals of this kind. In the past two years, the French state has on several occasions juggled with its holdings, giving Crédit *Lyonnais a holding in chemi*cals group Rhône Poulenc, for example, or boosting insurer Assurances Générales de France's capital by transferring stakes in oil leader Total and aluminium producer Pechiney.

This week's two operations bear a striking similarity in *style. In each case, a company* previously 100 per cent under direct state ownership will raise fresh capital from a state financial institution.

With the government itself now facing ever tighter fiscal constraints as tax revenues dwindle as a result of the economic slowdown, this appears an economical way for the budget ministry to provide cash *injections for public sector* companies without dipping into its own pocket.

Privatisation, even partial, has been ruled out since Presi*dent François Mitterrand was* re-elected in 1988. His doctrine of "ni...ni..." has enforced a halt both to privatisation and to renationalisation.

Both Usinor and Air France, however, present their operations as more than just a devious way of *obtaining cash* from the state. Both argue that the arrival of a new investor – albeit one which is itself controlled by the state – shows that they are ordinary competitive companies which must *prove themselves to their* shareholders by producing profits.

"They would say that, wouldn't they," retort some cynical French bankers, who note that it is important to *present these deals as* initiated by the companies in question, not by the government, in order to avoid difficulties with Sir Leon Brittan, competition *commissioner in Brussels.*

Sir Leon has proved a stubborn opponent of direct cash injections by the state into public sector companies, such as those proposed for the Bull computer *group or the* Thomson electronics business – or indeed the FFr2bn ($320m) that the French government proposes to invest in Air France. He might examine the Usinor-Crédit Lyonnais and Air *France-BNP deals* equally closely should be suspect that their motives were not purely capitalistic.

The state sector still represents an estimated 12 per cent of the French economy, accord*ing to the Organisation* for Economic Co-operation and Development, and around 1.4m wage-earners.

If a future right wing government were to embark on a privatisation programme similar *to that pushed through* by Mr Jacques Chirac from 1986 to 1988, the new pattern of cross holdings between state companies would complicate the task.

Howden in £30m cash call to reduce debt

By *Jane Fuller* in London

HOWDEN Group, the Glasgow-based engineering concern that has been undermined by a contract to supply tunnelling machines to Den*mark, has made a £30.6m* ($18.7m) rights issue to repair balance sheet damage.

The one-for-one issue will reduce borrowings of nearly *£76m by about 40 per cent and* bring down gearing from well over 100 per cent to 50 per cent.

Damage to the balance sheet inflicted by the £41m Great Belt contract for four tunnelling machines includes £10m *yet to be received from MT* Group, the consortium building the twin rail tunnels linking east and west Denmark.

The contract has also played a significant part in the trebling of Howden's net debt from about £24m in April 1989.

The issue is priced at 30p, which is 16p less than yesterday's opening price of 46p and 7p below the nadir reached earlier this month. Yesterday's close was 40p.

Questions still remain over the eventual impact of the Great Belt project on Howden. *The worst-case scenario is that* the £10m still outstanding on the contract will not be recovered and that £12m will have to be paid out in damages for delays, performance penalties and indirect losses.

Mr Johnny Johnsen, whose role as chairman and chief executive is about to be split, has said that, according to legal advice, Howden's counter-claims and *its* insurance cover make it unnecessary to provide for these contingent liabilities.

No provision was made in *the April 1991 balance sheet* for the £10m owed on the contract, carried on the debtors' line. Mr Johnsen said there was "no chance" of the money coming in this year because of the legal proceedings.

The results announced last week included a £10.4m exceptional charge to cover extra costs on the machines.

He said other parts of the group, including specialised fans for power stations and a German tunnelling equipment subsidiary, were performing well. This year's results would be helped by the geographic spread of the business – 80 per *cent outside the UK – and by* rationalisation, including the closure of a Renfrew plant last year with a loss of *500 jobs*.

On this basis, analysts are *forecasting a recovery* in pre-tax profit to between £15m and £17m from the last year's trough of £3m. In 1989-90, a record £22.2m was made on turnover of £315.5m.

The rights issue announce*ment was accompanied* by a dividend forecast of 2p for this year. Last year the final was passed, leaving an interim of 1.59p.

The document *also* referred to the strengthening of the board through the non-executive appointment of Mr John Jackson, chairman of SD-Scicon and Cambridge Electronic Industries.

The issue is being underwritten by Robert Fleming.

Italian banks may take on exposure to Federconsorzi

ITALIAN banks may consider *taking over their foreign coun*terparts' exposure towards Federconsorzi, the failed agricultural holding that collapsed in May with about L5,000bn *($3.73bn) in debts*, Reuter reports from Rome.

Mr Piero Barucci, the head of the Italian Banking Association, said domestic institutions may be prepared to consider taking over the exposure *although there were currently* no plans to do so.

"If there is an offer, we will consider it," he said. "At the moment there isn't any official or unofficial *proposal* . . . but that doesn't mean no one is thinking of it."

In Milan, several foreign bankers whose institutions are owed about L450bn welcomed Barucci's statement.

"It is both helpful and encouraging," one executive at a large Japanese bank said. "We will have to get around the table and talk," another banker said.

Tax officials question Commerzbank dealer

By Katharine Campbell in Frankfurt

THE FRANKFURT tax authorities, alerted during the course of the insider probe at Deutsche Bank, have widened *their field of investigation* with an unusual swoop on the floor of the stock exchange, it emerged yesterday.

An equity warrants dealer at Commerzbank, Germany's third largest bank, was located *at the Frankfurt Stock* Exchange on Tuesday and left with a tax official for questioning, the bank confirmed yesterday.

Mr Georg Carl, who is 45 and has been with Commerzbank for 13 years, returned to work yesterday, although the bank said he would not be appearing at the exchange for the time being.

The *tax authorities* have asked Commerzbank for documents in connection with the questioning, but the bank has so far refused to hand anything over, on the grounds that Mr Carl's tax affairs remain a private matter. The bank's internal auditors are however looking for any irregularities.

An insider investigation into the securities department of Deutsche Bank has apparently sparked a probe by the tax authorities that until now was confined to Germany's biggest *bank*.

Last week, Deutsche dismissed its head equity warrants trader, although at the time it said that he had disobeyed house rules unrelated to his functions in the securities department.

The equity warrant market has taken off in Germany in the past 18 months or so, with warrants outstanding estimated at around DM15bn. Speculative gains are free of tax if the warrants are held for more than six months.

Spanish utility seeks to lift Fecsa holding to 27%

EMPRESA Nacional de Electricidad SA (Endesa), Spain's state-owned electrical utility, is seeking to purchase *an additional 13 per cent of* Fuerzas Electricas de Cataluna (Fecsa), according to Mr Feliciano Fuster, the Endesa chairman, AP-DJ reports.

The purchase would lift Endesa's holding in the company to 27 per cent.

Mr Fuster said Endesa was interested in acquiring the stake from Iberdrola, the company created last May by the merger of Hidroelectrica Iberica Española and Hidroelectrica Española Hidrola.

The deal would represent a strategic investment for Endesa which lacks a distribution network, the chairman said.

Under Spanish law, any *stake taken above 25 per cent* requires the purchaser to launch a takeover bid for the company. However, Mr Fuster said that although Endesa wants full control of Fecsa, it may not be necessary for the public utility to make a takeover bid.

With Spain's electrical sector undergoing a government-sponsored reorganisation, Endesa could get an exemption from making a full offer for the private utility in the interests of restructuring.

IMI Bank (International)

NOTICE

to the holders of the outstanding
ECU 100,000,000 7¾ per cent. Guaranteed Notes Due 1992
of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

A previous meeting of the holders of the Notes was convened for 7th June, 1991 to consider a resolution to amend the terms and conditions of the Notes. No quorum was present at that meeting and, in view of the new proposals set out below, no second meeting will be convened in respect of that resolution.

The substance of the revised proposals is that, in exchange for the deletion of the event of default relating to IMI's status as a public law credit institution, IMI will grant a put option at par to the holders of the Notes (to be contained in a Deed Poll) if a majority of the voting shares in IMI ceases to be held, directly or indirectly, by the Republic of Italy or by one or more Italian public entities. The full terms of the put option are set out in the Deed Poll referred to above.

In connection therewith IMI Bank (International) (the "Issuer") is convening a new Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991. Details of the revised proposals are contained in a short memorandum prepared by IMI dated 18th July, 1991 and entitled "Revised proposal". Copies of both are available at the offices of the Paying Agents specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 9th August, 1991 at 10.30 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an *Extraordinary Resolution in accordance with the provisions of the Second Supplemental Trust Deed dated 20th May, 1988 made between the Issuer, IMI as* Guarantor and Bankers Trustee Company Limited as trustee for the Noteholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding ECU 100,000,000 7¾ per cent. Guaranteed Notes Due 1992 (the "Notes") of IMI Bank (International) (the "Issuer") *constituted by the second supplemental trust deed dated 20th May, 1988 (the "Trust Deed") supplemental to a trust deed dated 27th October, 1987 (the* "Principal Trust Deed") both made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and Bankers Trustee Company Limited (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the First Schedule to the Trust Deed by the deletion of the words "IMI ceasing to be a public statutory body" from Condition 11(5) thereof and the insertion at the end of Condition 11(5) of the following:-

"if IMI fails to comply with any of its obligations under the Deed Poll (as defined in the Trust Deed)";

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur *in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute an Amending* Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT:-

(i) *each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation* of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):-

(a) the Board of Directors of IMI; (b) the stockholders of IMI at a general meeting; (c) the Minister of the Treasury of Italy; and

(ii) the modification of the Terms and Conditions of the Notes is conditional upon the execution by IMI of the Deed Poll in the form of the draft produced to this *meeting, subject to such amendments as the Trustee may agree, and for the purposes of identification signed by the Chairman."*

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes), the Principal Trust Deed, the draft Amending Trust Deed and the draft Deed Poll referred to in the *Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.*

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991 and the revised proposal contained in a memorandum dated 18th July, 1991, has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his *behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying* Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the *Meeting (or, if applicable, any adjournment of such Meeting) or for giving* voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

N.B. In connection with the holding of a second meeting, if this should be necessary, the Trustee has, in exercise of its powers under the Trust Deed, consented to such meeting being held not less than 14 days after the first meeting in place of the 28 days specified in the Trust Deed.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or one or more persons holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each ECU 1,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary *Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting and upon all the holders of the coupons relating to* the Notes.

PRINCIPAL PAYING AGENT
Bankers Trust Company,
1 Appold Street, Broadgate, London EC2A 2HE

PAYING AGENTS
Bankers Trust Luxembourg S.A., 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basle, Switzerland

IMI Bank (International) — **18th July, 1991**

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)

NOTICE

to the holders of the outstanding
Yen 7,000,000,000 Guaranteed Zero Coupon Bonds Due 1992
of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") *into a Società per Azioni ("S.p.A."), an Italian limited* company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

A previous meeting of the holders of the Bonds was convened for 7th June, 1991 to consider a resolution to amend the terms and conditions of the Bonds. No quorum was present at that meeting and, in view of the new proposals set out below, no second meeting will be convened in respect of *that resolution.*

The substance of the revised proposals is that, in exchange for the deletion of the event of default relating to IMI's status as a public law credit institution, IMI will grant a put option at par to the holders of the Bonds (to be contained in a Deed Poll) if a majority of the voting shares in IMI ceases to be held, directly or indirectly, by the Republic of Italy or by one or more Italian public entities. The full terms of the put option are set out in the Deed Poll referred to above.

In connection therewith IMI Bank (International) (the "Issuer") is convening a new Meeting of the Bondholders by *the Notice below to request their agreement* by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Bonds referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991. Details of the revised proposals are contained in a short memorandum prepared by IMI dated 18th July, 1991 and entitled "Revised proposal". Copies of both are available at the offices of the Paying Agents specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Bonds convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 9th August, 1991 at 11.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the *Trust Deed dated 27th October, 1987* made between the Issuer, IMI as Guarantor and Bankers Trustee Company Limited as trustee for the Bondholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding Yen 7,000,000,000 Guaranteed Zero Coupon Bonds Due 1992 (the "Bonds") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed *dated 27th October, 1987 (the "Trust Deed") made between the Issuer,* Istituto Mobiliare Italiano ("IMI") as Guarantor and Bankers Trustee Company Limited (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Bonds as printed on the reverse of them and in Schedule 1 to the Trust Deed by the deletion of Condition 8(j) thereof and its substitution by a new Condition 8(j) as follows:-

"if the Guarantor fails to comply with any of its obligations *under the Deed Poll (as defined in the Trust Deed)*";

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to *execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed* by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT:-

(i) each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent *the same have not been given prior to the meeting of Bondholders*):-

(a) the Board of Directors of IMI; (b) the stockholders of *IMI at a general meeting; (c) the Minister of the Treasury of Italy; and*

(ii) the modification of the Terms and Conditions of the Bonds is conditional upon the execution by IMI of the Deed Poll in the form of the draft produced to this meeting, subject to such amendments as the Trustee may agree, and for the purposes of identification signed by the Chairman."

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for an *adjourned Meeting which is set out in paragraph 2 of* "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Bonds), the draft Supplemental Trust Deed and the draft Deed Poll referred to in the Extraordinary Resolution set out above will be available for inspection by Bondholders at the specified offices of the *Paying Agents set out below.*

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991 and the revised proposal contained in a memorandum dated 18th July, 1991, has no objection to the Extraordinary Resolution being submitted to the Bondholders for their *consideration.*

VOTING AND QUORUM

1 A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bonds, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Bonds in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the Meeting in person may either deliver his Bonds or voting certificate(s) to the person whom he wishes to attend on *his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices* of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or for giving voting instructions in respect of the relative Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2 The quorum required at the Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding *(as defined in the Trust Deed). If within 15 minutes from the time fixed for the* Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Bonds or voting certificates or being proxies whatever the principal amount of the Bonds so held or represented.

***N.B. In connection with the holding of a second meeting, if this should be necessary, the Trustee has, in exercise of its powers under the Trust Deed,* consented to such meeting being held not less than 14 days after the first meeting in place of the 28 days specified in the Trust Deed.**

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or one or more persons holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in *principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate* or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting and whether or not voting.

PRINCIPAL PAYING AGENT
Bankers Trust Company,
1 Appold Street, Broadgate,
London EC2A 2HE

PAYING AGENTS
Banque Indosuez Luxembourg, 39 Allée Scheffer, L-2520 Luxembourg
Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basle, Switzerland
The Kyowa Saitama Bank Limited, 1-2 Otemachi 1-chome, Chiyoda-ku, Tokyo 100, Japan

IMI Bank (International) — **18th July, 1991**

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IMI Bank (International)

NOTICE

to the holders of the outstanding
£100,000,000 9¼ per cent. Guaranteed Notes Due 1993
of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

A previous meeting of the holders of the Notes was convened for 7th June, 1991 to consider a resolution to amend the terms and conditions of the Notes. No quorum was present at that meeting and, in view of the new proposals set out below, no second meeting will be convened in respect of that resolution.

The substance of the revised proposals is that, in exchange for the deletion of the event of default relating to IMI's status as a public law credit institution, IMI will grant a put option at par to the holders of the Notes (to be contained in a Deed Poll) if a majority of the voting shares in IMI ceases to be held, directly or indirectly, by the Republic of Italy or by one or more Italian public entities. The full terms of the put option are set out in the Deed Poll referred to above.

In connection therewith IMI Bank (International) (the "Issuer") is convening a new Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991. Details of the revised *proposals are contained in a short memorandum prepared by IMI dated 18th July, 1991 and entitled "Revised proposal". Copies of both are available at the* offices of the Paying Agents specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 9th August, 1991 at 11.30 a.m. (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 12th May, 1988 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation p.l.c. as trustee for the Noteholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding £100,000,000 9¼ per cent. Guaranteed Notes Due 1993 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 12th May, 1988 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed by the *deletion of the words "IMI ceasing to be a public statutory body"* from Condition 9(5) thereof and the insertion at the end of Condition 9(5) of the following:-

"if IMI fails to comply with any of its obligations under the Deed Poll (as defined in the Trust Deed)";

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) of this Resolution; and

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT:-

(i) each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):-

(a) the Board of Directors of IMI; (b) the stockholders of IMI at a general meeting; (c) the Minister of the Treasury of Italy; and

(ii) *the modification of the Terms and Conditions of the Notes is conditional upon the execution by IMI of the Deed Poll in the form of the draft produced to this* meeting, subject to such amendments as the Trustee may agree, and for the purposes of identification signed by the Chairman."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes), the draft Supplemental Trust Deed and the draft Deed Poll referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991 and the revised proposal contained in a memorandum dated 18th July, 1991, *has no objection to the Extraordinary Resolution* being submitted to the Noteholders for their consideration.

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Notes in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it, for the purpose of obtaining voting certificates, *not later than 48 hours before the time appointed for holding the* Meeting (or, if applicable, any adjournment of such Meeting) or for giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, of the voting instruction receipt(s) issued in respect thereof.

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. *At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting* certificates or being proxies whatever the principal amount of the Notes so held or represented.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or two or more persons holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding. On a *show of hands every person who is present in person and produces a Note or voting certificate or is* a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present *at such Meeting and whether or not voting and upon all the holders of the coupons relating to* the Notes.

PRINCIPAL PAYING AGENT
Union Bank of Switzerland,
Bahnhofstrasse 45, CH-8021 Zürich,
Switzerland

PAYING AGENTS
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium
Union Bank of Switzerland, 122 Leadenhall Street, P.O. Box 428, London EC3V 4QL
Union de Banques Suisses (Luxembourg) S.A., 36-38 Grand Rue, B.P. 134, L-2011 Luxembourg

IMI Bank *(International)* — **18th July, 1991**

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

IMI Bank (International)

NOTICE

to the holders of the outstanding
Yen 10,000,000,000 Floating Rate Guaranteed Notes Due 1993
of
IMI Bank (International)
unconditionally and irrevocably guaranteed by
Istituto Mobiliare Italiano

This notice is issued in connection with the forthcoming transformation of Istituto Mobiliare Italiano ("IMI") into a Società per Azioni ("S.p.A."), an Italian limited company. The transformation is to take place under the framework established by a law passed on 30th July, 1990 (the "Amato Law") for the restructuring of the public banking and credit system in Italy.

A previous meeting of the holders of the Notes was convened for 7th June, 1991 to consider a resolution to amend the terms and conditions of the Notes. No quorum was present at that meeting and, in view of the new proposals set out below, no second meeting will be convened in respect of that resolution.

The substance of the revised proposals is that, in exchange for the deletion of the event of default relating to IMI's status as a public law credit institution, IMI will grant a put option at par to the holders of the Notes (to be contained in a Deed Poll) if a majority of the voting *shares in IMI ceases to be held, directly or indirectly, by the* Republic of Italy or by one or more Italian public entities. The full terms of the put option are set out in the Deed Poll *referred to above.*

In connection therewith IMI Bank (International) (the "Issuer") is convening a new Meeting of the Noteholders by the Notice below to request their agreement by Extraordinary Resolution to the proposed modification to the events of default contained in the Terms and Conditions of the Notes referred to in such Notice.

Full details of the Amato Law and the transformation are contained in an Information Memorandum prepared by IMI dated 16th May, 1991. Details of the revised *proposals are contained in a short memorandum prepared by IMI dated 18th July, 1991 and entitled "Revised proposal". Copies of both are available at the* offices of the Paying Agents specified below.

NOTICE OF MEETING

Notice is hereby given that a Meeting of the holders of the above Notes convened by the Issuer will be held at Barrington House, 59-67 Gresham Street, London EC2V 7JA on 9th August, 1991 at 12.00 noon (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 4th January, 1988 made between the Issuer, IMI as Guarantor and The Law Debenture Trust Corporation p.l.c. as trustee for the Noteholders.

EXTRAORDINARY RESOLUTION

"That this Meeting of the holders of the outstanding Yen 10,000,000,000 Floating Rate Guaranteed Notes Due 1993 (the "Notes") of IMI Bank (International) (the "Issuer") constituted by the Trust Deed dated 4th January, 1988 (the "Trust Deed") made between the Issuer, Istituto Mobiliare Italiano ("IMI") as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby:-

(1) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the *Second Schedule to the Trust Deed by* the deletion of the words "IMI ceasing to be a public statutory body" from Condition 9(5) thereof and the insertion at the end of Condition 9(5) of the following:-

"if IMI fails to comply with any of its obligations under the Deed Poll (as defined in the Trust Deed)";

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against the Issuer or IMI involved in or resulting from the modification referred to in paragraph (1) *of this Resolution; and*

(3) authorises and requests the Trustee to concur in the modification referred to in paragraph (1) of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it with such amendments (if any) to it as the Trustee shall require.

PROVIDED THAT:-

(i) each such assent, sanction, authorisation and request is conditional upon the formal approval of the transformation of IMI into a Società per Azioni being given, to the satisfaction of the Trustee, by each of the following (to the extent the same have not been given prior to the meeting of Noteholders):-

(a) the Board of Directors of IMI; (b) the stockholders of IMI at a general meeting; (c) the Minister of the Treasury of Italy; and

(ii) *the modification of the Terms and Conditions of the Notes is conditional upon the execution by IMI of the Deed Poll* in the form of the draft produced to this meeting, subject to such amendments as the Trustee may agree, and for the purposes of identification signed by the Chairman."

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes), the draft *Supplemental* Trust Deed and the draft Deed Poll referred to in the Extraordinary Resolution set out above will be available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modification but has authorised IMI to state that the Trustee, on the basis of the information contained in an Information Memorandum dated 16th May, 1991 and the revised proposal contained in a memorandum dated 18th July, 1991, has no objection to the Extraordinary Resolution being submitted to the *Noteholders for their consideration.*

VOTING AND QUORUM

1 A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate or valid voting certificates issued by a Paying Agent *relating to the Notes in respect of which he wishes to vote.*

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Notes or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or *under its control by CEDEL S.A. or the Operator of the Euroclear System or any other person approved by it,* for the purpose of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or for giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in *respect thereof.*

2 The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as *may be appointed by the Chairman of the Meeting. At such adjourned Meeting* the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

3 Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer, the Guarantor or two or more persons holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in *principal amount of the Notes for the time being outstanding. On a show of hands* every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Yen 10,000,000 or such other amount as the Trustee may in its absolute discretion stipulate in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4 To be passed the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary *Resolution will be binding on all the Noteholders,* whether or not present at such Meeting and whether or not voting and upon all the holders of the coupons relating to the Notes.

PRINCIPAL PAYING AGENT
The Long Term Credit Bank of Japan, Limited,
2-4 Otemachi 1-chome, Chiyoda-ku, Tokyo 100, Japan

PAYING AGENTS
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium
Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, L-2953 Luxembourg

IMI Bank (International) — **18th July, 1991**

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INTERNATIONAL COMPANIES AND FINANCE

Citicorp's earnings tumble 83%

By Alan Friedman in New York

CITICORP, the largest US bank, wrote off $1.7bn of loans in the second quarter, cut its dividend by 44 per cent to 25 cents and recorded an 83 per cent slump in net earnings to $43m, or 3 cents a share.

The bank, undergoing a significant restructuring programme aimed at cutting costs and boosting capital, also said that its workforce had been cut by 5,000 people, to 90,000, this year.

Citicorp's revenues were up by 5 per cent to $3.7bn while expenses fell by 4 per cent to $2.5bn, year-on-year. Mr James McDermott, president of Keefe Bruyette, bank analysts, said the revenue figure was reasonable and expenses appeared to have been held. But he described the level of write-offs as "massive" and, along with other analysts, said they were much higher than expected.

The largest write-offs – totalling $748m – came from third world debt exposure and mainly from Brazil and Argentina. This compared with a $666m write off in the same quarter of 1990.

Next came $479m written off in the corporate finance and real estate business in Japan, Europe and North America, more than four times the $101m of the second quarter of 1990.

This division suffered a $222m loss in the second quarter, which compares with $38m of net income in the same period last year. "The level of write-offs raises the question of what the earning power of that division is," said Mr Frank Suozzo, an analyst at S. G. Warburg.

The global consumer division had write-offs of $451m, compared with $316m a year ago. Net earnings in this division dropped to $185m from $263m in the second quarter of 1990.

The bank's main tier 1 capital ratio increased to 4.08 per cent, up from 3.26 per cent at the start of 1991. Mr Reed pointed out that this was in line with the bank's capital-boosting policy. He said Citicorp was also continuing to seek revenue growth coupled with lower costs.

Sharp fall at Owens-Corning

By Patrick Harverson in New York

OWENS-CORNING, the big US manufacturer of fibrous glass products, yesterday reported a sharp decline in second-quarter earnings to $15m, from $89m a year earlier. Sales totalled $745m, slightly below the $771m sales at the same stage in 1990.

The second-quarter 1991 figures, however, represented an improvement on the previous three months, when the company reported a loss of $23m.

Mr Max Weber, chairman and chief executive of Owens-Corning, blamed the drop in profits on continued weakness in most of the company's major markets in the US, Canada, Europe and Brazil. In particular, slow sales in the car and pleasure boat industries had affected orders for Owens-Corning's industrial materials group, which manufactures reinforcements, yarns and resins.

The company's figures were well received on the stock market, where the shares jumped $2¼ to $29¼ in active trading. The market was buoyed by positive comments from Owens-Corning about the outlook for the rest of the year.

A recovery in the Canadian and US housing markets was singled out as particularly encouraging. The outlook for non-North American business, however, remained gloomy because of depressed business conditions in Europe and Brazil.

Honeywell sees pre-tax gain

By Karen Zagor

HONEYWELL has turned in solid underlying second-quarter earnings, reflecting the US electronics and automation group's growing strength after five years of reorganisation.

Pre-tax income from continuing operations rose 2 per cent to $121.3m from $118.9m, but a hefty provision for income tax reduced earnings from continuing operations to $77.6m in the second quarter, from $92.4m a year earlier.

Although net income in the quarter declined to $77.6m, or $1.10 a share, from $99.1m, or $1.29, a year ago, the 1990 figures included $6.7m, or 9 cents a share, from discontinued operations and benefited from an unusually low tax rate of 22 per cent, against 36 per cent.

Honeywell, which has moved away from its computer, semiconductor, communications and defence businesses, said its second-quarter sales from continuing operations rose 5 per cent to $1.52bn.

Mr James Renier, chairman and chief executive, said the company's commercial flight systems and industrial systems were doing well in spite of the economy, although its industrial components and property businesses had suffered during the recession.

Honeywell's first-half pre-tax income from continuing operations eased 7 per cent to $233.5m from $251.2m. Net income fell 21 per cent to $149.4m, or $2.11 a share, from $189.2m, or $2.44, a year earlier on revenues which slid 2.8 per cent to $2.99bn from $3.07bn.

Goodyear Tire & Rubber forecasts return to black

By Karen Zagor

GOODYEAR Tire & Rubber, the last surviving big US-owned tyres group, expects to return to the black in the second quarter thanks to reduced sales and costs and higher prices for passenger car tyres.

The Akron, Ohio-based company predicts earnings of 35 cents to 40 cents a share for the three months ended June 30, against a loss of $9.4m, or 18 cents a share, in the same period of 1990. Last year's results included a restructuring charge of $31.4m.

Goodyear also confirmed analysts' earnings estimates for the whole of 1991 of between 75 cents and $1. Goodyear had a first-quarter operating loss of $30.4m, or 52 cents a share. The company's net loss in the first three months was $90.1m, or $1.54 a share, including a restructuring charge of $59.7m, or $1.02.

Mr Stanley Gault, the former head of Rubbermaid who recently succeeded Mr Tom Barrett as Goodyear's chairman, expects Goodyear to gain from lower car inventories – a sign of shortages for some models which should strengthen tyre sales. However, there has not yet been any improvement in original or replacement tyre sales.

Goodyear's recent woes, reflecting the slump in the industry, have been exacerbated by its disastrous $1.6bn investment in the All American Pipeline, an oil pipeline running from California to Texas.

Mr Gault does not expect the oil pipeline to make a profit before late 1993.

General Electric maintains operating margins

By Barbara Durr in Chicago

GENERAL ELECTRIC, one of the world's largest conglomerates, posted net earnings of $1.13bn for the second quarter, up 4 per cent from $1.08bn last year: but, due to the company's share repurchase programme, earnings per share rose 7 per cent to $1.30 from $1.22.

Earnings growth in the past quarter came largely from sales of power systems, aircraft engines and medical systems. Profits in home appliances, materials and broadcasting – GE owns the NBC network – were flat or down. But overall operating margins during the quarter was 12.9 per cent, equal to the record margin of the same quarter last year.

First half 1991 earnings per share were $2.44, up 7 per cent on last year. Net earnings were $2.13bn, up 5 per cent.

All-round improvement at Philip Morris

By Nikki Tait

STURDY PROFIT advances in all its main business left Philip Morris, the huge tobacco and food group, reporting a 21.6 per cent gain in net income in the second quarter of 1991, at $1.15bn.

At the operating profit level, the gain was slightly less impressive - a 17.5 per cent improvement to $2.68bn. However, this still outstripped the 15.9 per cent sales gain, taking group revenues to $14.8bn. Earnings per share were up by one-fifth at $1.24, and Philip Morris has now notched up net profits of $2.09bn in the first half of the current year.

The results were much as the market anticipated, and the shares eased $¾ to $67½.

There has been much speculation that the remorseless cash-flow from tobacco, coupled with the desire to at least maintain the weighting of its food operations, will prompt Philip Morris to return to the acquisition trail soon.

The company regularly declines to be drawn on strategic plans, but Mr Hamish Maxwell, who will retire as chairman this summer, noted yesterday that the company's debt-to-total equity ratio improved to 1.29:1 at end-June, compared with 1.44:1 a year earlier.

The sharpest operating profits advance continued to come on the international tobacco side. Here the company made $440m, up 24.3 per cent on the previous year, with sales rising by 23.6 per cent to $3.12bn. Unit volume rose 16.2 per cent in the quarter, and favourable currency gains also helped.

On domestic tobacco, Philip Morris saw profits of $1.29bn, compared with $1.11bn, with revenues 12.7 per cent higher at $3.19bn. Unit volumes were marginally higher, up by 0.2 per cent, against a decline in industry volumes of 3.4 per cent. Marlboro, the company's leading brand, held its market share year-on-year.

On the food side, operating profits were up by 18.7 per cent at $807m, on sales 14.9 per cent higher at $7.24bn. However, comparisons are muddied by the inclusion of Jacobs Suchard, which Philip Morris acquired in the third quarter of 1991. Beer earnings were up by one-fifth at $108m.

Only the financial services and real estate side showed a fall with operating profits fell 26.2 per cent to $31m.

US QUARTERLIES

BRISTOL-MYERS SQUIBB 2nd qtr

	1991	1990
Shr	$0.94	$0.79
Net	$489.5m	$417.3m
Sales	$2.73bn	$2.48bn
Six months		
Shr	$1.88	$1.57
Net	$982.1	$826.3m
Sales	$5.47bn	$4.94bn

COCA-COLA – 2nd qtr

	1991	1990
Shr	$0.72	$0.61
Net	$482.4m	$409.8m
Revs	$3.04bn	$2.74bn
Six months		
Shr	$1.20	$1.02
Net	$803.3m	$693.4m
Revs	$5.52bn	$4.69bn

■ 1991 qtr per share includes reserve of 2 cents for potential one-time charges related to bottler litigation.

C&S/SOVRAN – 2nd qtr

	1991	1990
Shr	$0.45	$0.57
Qtly div	$0.39	$0.39
Net	$63.99m	$79.79m
Six Months		
Shr	$0.65	$1.36
Net	$94.79m	$166.02m

■ Net includes credit loss provisions of $169.469m v. $123.566m for qtr. and $352.779m v. $197.236m for 6 months.

ELI LILLY AND CO 2nd qtr

	1991	1990
Shr fully diluted	$1.08	$0.93
Net	$317.60m	$274.40m
Revs	$1.38bn	$1.25bn
Six Mths		
Shr fully diluted	$2.43	$2.07
Net	$708.10m	$615.20m
Revs	$2.81bn	$2.47bn

■ Company said primary earnings per share do not differ significantly from fully diluted earnings per share.

JOHNSON CONTROLS 3rd qtr

	1991	1990
Shr	$0.69	$0.63
Net	$29.30m	$27.00m
Sales	$1.14bn	$1.17bn
Nine mths		
Shr	$1.46	$1.45
Net	$83.80m	$83.40m
Sales	$3.36bn	$3.33bn

■ Share results reflect payment of preferred dividends.

PACIFIC TELESIS – 2nd qtr

	1991	1990
Shr	$0.80	$0.72
Net	$316m	$287m
Revs	$2.52bn	$2.43bn
Six months		
Shr	$1.47	$1.37
Net	$582m	$549m
Revs	$4.93bn	$4.81bn

SCHERING-PLOUGH – 2nd qtr

	1991	1990
Shr	$0.77	$0.64
Net	$167.4	$144.1
Sales	$912.5m	$884.0m
Six Mths		
Shr	$1.56	$1.30
Net	$340.5m	$294.5m
Sales	$1.85bn	$1.73bn

UNITED TELECOM – 2nd qtr

	1991	1990
Shr	$0.41	$0.18*
Net	$86.9m	$41.0m
Revs	$2.21bn	$2.07bn
Six months		
Shr	$0.79	$0.89
Net	$172.5m	$145.2m
Revs	$4.37bn	$4.08bn

*after non-recurring charge of $0.16 per share

Georgia-Pacific dives to $33m in second quarter

By Nikki Tait in New York

GEORGIA-PACIFIC, the largest US paper manufacturer which took over Great Northern Nekoosa in March 1990, yesterday unveiled an extremely sharp plunge in second-quarter earnings, to just $33m after tax. This compares with $107m in the same period a year earlier.

Moreover, the result came after an after-tax gain of $29m on the sale of some timberland in Washington state. Total operating profits fell from $425m to $296m, on sales of $2.98bn ($3.52bn).

The paper industry's problems, however, are well-known, and dismal figures from both Boise Cascade and Scott Paper have already been absorbed by the market. Georgia-Pacific shares rose ⅜ to $55⅝.

In part, this seemed to reflect some fairly encouraging remarks by Mr T. Marshall Hahn, Georgia's chairman. He acknowledged that pulp and paper markets had weakened in the second quarter, but suggested that there were "some encouraging indications business is beginning to improve".

The containerboard and communication papers businesses should pick up on an improved economy, he maintained. Demand for market pulp was said to remain robust, but prices were still weak. Bleached board and kraft paper markets were described as "strong".

In terms of its main divisions, Georgia said that the pulp and paper side made operating profits of $110m compared with $261m, while its building material business showed a more modest fall, from $159m to $133m. In the latter case, Georgia reported some prices increases due thanks to modestly-higher new home construction.

Warner-Lambert shows growth

By Karen Zagor in New York

WARNER-LAMBERT, the big US pharmaceuticals company, yesterday posted a 15 per cent improvement in second-quarter earnings.

The company received a blow on Monday when an advisory panel to the Food and Drug Administration (FDA) said it would need more studies before approving Warner-Lambert's Cognex drug to treat Alzheimer's disease.

There is no approved drug for Alzheimer's disease, which afflicts about 4m Americans, and analysts expect Cognex to make a strong contribution to Warner-Lambert's earnings once it wins FDA approval.

The panel did recommend that a limited number of Alzheimer's patients be allowed to receive Cognex while the company simultaneously conducts new research to test the drug's efficiency. However, the decision dampened expectations that the drug would be on the market soon.

Warner-Lambert said yesterday that it would work closely with the FDA to determine what steps to take next on Cognex.

The company's share price, which has still not recovered from the FDA panel's decision, added $¼ to $68¼ at mid-session yesterday. The shares changed hands above $73 before the news.

Mr Joseph Williams, the incumbent chairman and chief executive who will be succeeded by Mr Melvin Goodes next month, stressed that the company's future growth will be driven by prescription pharmaceutical sales. Sales of Lopid, Warner-Lambert's cholesterol-lowering drug, jumped 18 per cent in the quarter to more than $112m, and sales were also strong for Dilantin, an anti-convulsant and two cardiovascular drugs - Accupril and Dilzem.

Second-quarter net income, meanwhile, was $154.6m, or $1.15 a share, against $134.5m, or $1, a year earlier.

Sales increased 7 per cent to $1.24bn from $1.15bn, with a 13 per cent improvement in prescription pharmaceuticals sales to $425m in the 1991 quarter.

First-half profits rose to $294.1m, or $2.19 a share, from $254.8m, or $1.90, on revenues of $2.46bn against $2.25bn.

McGraw-Hill projections disappoint Wall Street

By Karen Zagor

THE DIRE state of the US publishing industry was underscored yesterday when McGraw-Hill, the big US publishing and information services group, turned in lower second-quarter earnings in spite of its restructuring efforts at the end of last year.

Mr Joseph Dionne, chairman and chief executive, said: "Our industry has faced tough economic conditions all year. The anticipated upturn in the second quarter has yet to materialise. Under the circumstances, it will be difficult in 1991 to match last year's earnings."

The bleak projections disappointed a number of analysts, who had expected the company's cost-cutting measures and economic recovery in the second half to help McGraw-Hill post modest earnings improvements for the year. In New York, the shares eased $¼ to $58¾ before the close.

Second-quarter net income fell 6.3 per cent to $34.9m, or 71 cents a share, from $37.2m, or 76 cents, a year earlier on static revenues of $456.9m.

Although operating profits in the company's financial services division rose 20 per cent to $33.2, thanks to a strong performance by Standard & Poor's, the US rating agency, the improvement was more than off-set by declines on the publishing front.

Novell plans merger with Digital Research

By Alan Cane

NOVELL, a leading supplier of personal computer networking software, is merging with Digital Research, one of the pioneers of the personal computer software business in a deal which values Digital Research at about $75m.

Digital Research, based in Monterey, California, will become a wholly-owned subsidiary of Novell, whose headquarters are in Provo, Utah.

Under the deal, announced yesterday, existing shares of Digital Research common stock, convertible securities and options will be exchanged for 1.5m newly-issued shares of Novell common stock. The deal has been approved by the boards of both companies, but remains subject to the approval of Digital Research stockholders and other regulatory approvals.

Digital Research pioneered the development of software to control the internal working of personal computers – which made possible the rapid advance of PC applications software.

Digital Research's star started to wane in the 1980s, when IBM, the world's largest computer manufacturer, chose the little-known software house Microsoft to develop operating software for its market leading personal computer. Microsoft's MS/DOS operating system is now the most popular operating system in the world. Microsoft has become the world's largest personal computer software house.

State takes control of Mutual Benefit Life

By Nikki Tait

INSURANCE regulators in New Jersey have won court approval for the state takeover of Mutual Benefit Life Insurance Company, the big, troubled life insurer.

The seizure marks the largest insurance company collapse in the US, and follows the intervention of regulators in the affairs of ailing life insurers in other states.

Under the arrangements, a temporary halt is being placed on withdrawals from the Newark-based group.

But it will continue to sell policies, and these will be backed by Prudential Insurance Company of America and Metropolitan Life, the two largest US insurance companies.

Mutual Benefit will also continue to make payments on annuities and life policies in full. The company's chief executive, Mr Henry Kates, has resigned.

With about 600,000 individual life policyholders and assets of $13.8bn, Mutual Benefit is reckoned to be the largest single insurance company to be seized by US state insurance regulators.

To the Holders of
Warrants
to subscribe for shares of common stock of
SANKYO ALUMINIUM INDUSTRY CO., LTD.
[Issued in conjunction with an issue by
Sankyo Aluminium Industry Co., Ltd.
(the "Company") of]
U.S. $40,000,000 3¾ per cent. Guaranteed Bonds due 1991 with Warrants ("Bonds A")
U.S. $70,000,000 3¼ per cent. Guaranteed Bonds due 1992 with Warrants ("Bonds B")
U.S. $150,000,000 3⅞ per cent. Guaranteed Bonds due 1993 with Warrants ("Bonds C")]

ADJUSTMENT OF SUBSCRIPTION PRICE

In respect of the above Warrants, notice is hereby given as follows:

On 18th July, 1991, Sankyo Aluminium Industry Co., Ltd. (the "Company") issued U.S. $200,000,000 4 per cent. Bonds Due 1995 and DM 120,000,000 4% Bonds of 1991/1995, each with warrants to subscribe for shares of common stock of the Company by way of public offering outside Japan. The initial subscription prices for the exercise of each of the said warrants are less than the current market price per share as defined in the *Instruments relating to each of the captioned* Warrants.

As a result of the above issues, the Subscription Prices of the captioned Warrants have been adjusted with effect from 18th July, 1991 (Japan Time) pursuant to the provisions of each of the Instruments relating to each of the captioned Warrants as follows:

A) the subscription price of warrants issued in conjunction with Bonds A will be adjusted from 355.50 Japanese Yen to 351.10 Japanese Yen.
B) the subscription price of warrants issued in conjunction with Bonds B will be adjusted from 526.70 Japanese Yen to 520.20 Japanese Yen.
C) the subscription price of warrants issued in conjunction with Bonds C will be adjusted from 1,006.50 Japanese Yen to 994.20 Japanese Yen.

The Industrial Bank of Japan Trust Company
on behalf of
SANKYO ALUMINIUM INDUSTRY CO., LTD.

Dated: 18th July, 1991

U.S. $600,000,000

BNP

Banque Nationale de Paris

Partly Paid Registered
Floating Rate Notes Due 1995

Interest Rate	6.4875% per annum
Aggregate Rate	*1.122916% per annum*
Interest Period	18th July 1991 21st January 1992

Interest Amount per
U.S. $250,000 Note
due 21st January 1992 U.S. $8,749.39

Credit Suisse First Boston Limited
Agent

£200,000,000
MFC Finance No.1 PLC
Mortgage Backed Floating Rate Notes Due October 2023
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:–

Payment Date		Rate %	Payment Date		Rate %
Series A	3 July to 1 August 1991	11.785	Series D	10 July to 8 August 1991	11.835
Series B	3 July to 2 August 1991	11.785	Series E	11 July to 8 August 1991	11.8375
Series C	5 July to 7 August 1991	11.795	Series F	12 July to 14 August 1991	11.8375

By: Citibank, N.A. (CSSI Dept.)
July 18, 1991

CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

Higher prices lift Gengold profits to R24m in quarter

By Philip Gawith in Johannesburg

A SMALL increase in working costs and a firmer gold price allowed the 11 gold mines managed by the Gengold group of South Africa to overcome operational difficulties and record *improved profits in the quarter* to June.

Total gold production was 5.1 per cent down on the previous quarter at 18,213kg, but a 3.1 per cent increase in the average gold price received, to R31,978 a kilogram, allowed group income after tax and capital expenditure to rise 3 per cent to R24.93m ($8.7m). Mr *Gary Maude, managing director* of Gengold, said the price increase was the first in a year.

The lower gold production, which caused unit costs to rise by 6.2 per cent to R32,526 per kilogram of gold produced, was *mainly the result of difficulties* experienced at the Buffelsfontein, Unisel and Winkelhaak mines.

Buffelsfontein made a R2.75m after-tax loss compared with a R2.66m profit in the previous quarter. Over and above a one-off R2.4m retrenchment cost, the reversal was the function of a decline in the amount *of payable face, losses suffered* on the mine's uranium production and disruptions caused by a serious fire at the mine.

Operations were further hampered by a 700 per cent increase in seismic activity in the region during June, compared with the norm. The mine should return to profit this quarter.

Unisel also suffered from a shortage of payable face, reflected in gold production dropping to 1,050kg from 1,200kg. The problem is improving and a gradual recovery is expected in the next six *months.*

The decline in production at Winkelhaak to 2,800kg (2,900kg) was the result of a series of mud rushes, costing about 110kg of gold production per month. The rushes have caused one shaft to be closed for six months.

The mine has also taken a R52m gold loan in order to *rephase capital expenditure.* Capital expenditure of R12m for the quarter was about R10m less than the average of the past four quarters.

The best performances in the group came from Beatrix and Leslie, both of which cut total costs significantly. Bracken, Kinross and Grootvlei performed steadily while St Helena suffered *the effects of a* fire and industrial action.

Mr Maud said he was optimistic that an annual wage increase currently being negotiated would be in single figures and well under inflation. *He said absenteeism* was almost nil and workers appeared to be more concerned about keeping their jobs than securing hefty pay increases.

TNT shares touch new lows

By Mark Westfield in Sydney

SHARES in TNT, the troubled Australian transport group, plumbed new lows yesterday, hitting 64 cents before recovering to close at 67 cents, a fall of 8 cents on the day.

TNT has lost 60 per cent of its market value since its recent peak of A$1.67 in April, and 26 per cent since last Thursday when Australian Ratings slashed its credit rating by four places to B+ *from BBB-.*

The group's capitalisation has fallen to just A$379m from A$2bn two years ago.

Analysts generally agree that investors are concerned about the downgrading and are becoming increasingly impa*tient with TNT's failure* to conclude a long-awaited joint venturing of its loss-making European air freight business.

TNT's shares began their steep slide after the group raised A$75m through a share *placement to institutions* in April at A$1.50 a share.

A short time later, its 46 per cent-owned associate, the coal and shipping group McIlwraith McEacharn, sold its 5 per cent cross-holding for A$1.35 a share. Days later, TNT *announced a loss of A$89.4m* for the nine months to the end of March.

The market has begun to brace itself for the full-year result, due late next month. Analysts' predictions range *from a small loss to a profit* of up to $30m.

Small investors show interest in bank float

THE COMMONWEALTH Bank of Australia yesterday reported strong interest from small investors in its proposed A$1.34bn (US$1.03bn) partial float after the Australian federal Treasurer, Mr John Kerin, declared the subscription lists open at midday, **writes Mark Westfield.**

Commonwealth Bank's chairman, Mr Tim Besley, reported a "very high" level of interest and demand for pro*spectuses through the bank's* 1,800 branches.

The federal government is floating 29.75 per cent of the bank through the issue of 239.3m shares at A$5.40 each in Australia's largest flotation.

The offer closes on August 14, and the shares begin trading on the Australian Stock Exchange on September 12.

Telecom NZ issue opens to strong foreign demand

By Terry Hall in Wellington

TELECOM New Zealand shares met keen international demand on listing yesterday.

The shares, which were issued at NZ$2, opened at NZ$2.29 on the New Zealand Stock Exchange at a special session at 1am local time, and at US$25.60 in New York for American depository shares. Volume *was very heavy in* New York, with 100m shares traded in the first hour.

The stronger-than-expected foreign demand prompted the company's owners, Bell Atlantic and Ameritech, to increase the number of shares being sold by 50 per cent to 630m.

The US companies bought Telecom NZ for NZ$4.25bn (US$2.4bn) following its privatisation, but undertook to sell 49.9 per cent of their holding. The number of shares sold in New Zealand, 210m, was in line with expectations. Individual allocations were scaled to 10,000 shares each.

The North American and international tranches were *both fixed at the equivalent of* 210m shares in American depository stock.

Mr Kirk Collamer, a spokesman for the owners, said there was strong US institutional demand.

New Zealand support was also slightly higher than expected, with the sale raising NZ$1.2bn.

Black faces political opposition on Fairfax

By Emilia Tagaza
in Canberra

THE Tourang consortium, led by Mr Conrad Black, which launched a bid for the Fairfax newspaper group on Tuesday, faces significant political hurdles, which may force the *group to modify its bid.*

Mr Black, who publishes The Daily Telegraph in the UK, yesterday arrived in Australia amid debates within the Labor government over two issues: the proposed level of *foreign holdings in Fairfax,* and the participation in the group of Mr Kerry Packer, proprietor of Australian Consolidated Press, the country's biggest magazine publisher.

The proposed 30 per cent foreign shareholdings is in excess of the 15 per cent limit on foreign ownership of media organisations. The group has *proposed that Mr Black's Daily* Telegraph would control 20 per cent and that Hellman & Friedman, the US merchant bank, would take 10 per cent.

Senior officials have indicated that the government *would oppose the 30 per cent* foreign holdings, and the federal Treasurer, Mr John Kerin, has indicated the 15 per cent threshold would remain until the cabinet changed it.

Mr Packer's involvement *has attracted great opposition.* While his 15 per cent share falls within the cross-media ownership rules, the government is seeking the Australian Broadcasting Tribunal's opinion on whether it breaches the "spirit of the law". The cross-media rules are aimed at preventing television licensees from owning leading daily newspapers in the same city.

Mr Packer controls the national Nine Network, which has television stations in the cities where Fairfax publishes leading newspapers.

Mr Kim Beazley, of the Ministry for Transport and Communications, said that if weaknesses were found in the legislation, the government should if necessary legislate retrospectively to ensure the spirit of the law is maintained.

Mr Black today will meet the prime minister, Mr Bob Hawke, and is expected to be given an indication of the government's attitude.

The Tourang bid is seen to have an advantage over other bidders because of its agreement with 95 per cent of junk bond holders to drop their lawsuits against the Fairfax bankers in exchange for swapping the bonds into the consortium's debentures.

Embraer sell-off in doubt as group scraps EMB-145

By Victoria Griffith in Sao Paulo

THE privatisation of *Embraer,* the Brazilian state-owned aircraft manufacturer, has been dealt a hard blow with the announcement on Tuesday that the group is cancelling its EMB-145 project.

The EMB-145, a regional passenger aircraft, was the group's "great hope", according to its former president, Mr Joao Cunha, who stepped down from his post this week.

"The EMB-145 was a good *model," said a spokesman* for the group. "The problem was that we were going to put it on the market years after the competition came up with similar products."

The move means the group is unlikely to have any new products for at least the next few years.

"Everyone here is against privatisation anyway," *said the* group's new president, Col Ozires Silva, in reference to employee opposition to the proposed sell-off.

The government had hoped to have Embraer ready for pri*vatisation by the end of next* year.

The Brazilian government announced a few weeks ago that it was lending Embraer over $400m to salvage the group's finances. Embraer's production lines had been stalled for months for lack of adequate financing.

According to the Economics Ministry, the package was *the* first step towards Embraer's privatisation. Under the terms of the financial package, repayment was scheduled over five to seven years.

At the same time, the government *announced it was* looking for foreign partners to join Embraer in joint ventures. But according to Col Silva, any new joint venture was far from certain.

"We will only participate in a new joint venture if any good offers come through," he said.

Col Silva said he had returned last week from Iran, where he had been trying to sell some Tucano military trainers, without any new *orders.*

With the scrapping of the EMB-145, the group has been left with just three models: the Brasilia, the group's commercial aircraft, the AMX military craft, and the Tucano.

According to Mr Cunha, the Brasilia has never been profitable.

Col Silva said his priority now was reaching an accord with Embraer's unions, which are threatening another strike.

Forest products slump pulls MacMillan Bloedel into red

By Bernard Simon in Toronto

MACMILLAN Bloedel, the western Canadian pulp and *paper producer, has suffered a* second-quarter loss and warned that the slump in the North American forest products industry may not have reached bottom.

The net loss after payment of preferred dividends was C$13.7m (US$12m), or 13 cents a share, compared with earnings of C$25.6m, or 25 cents, a year earlier. Second-quarter sales slumped by 10 per cent to C$727.9m.

Mr Bob Findlay, chief executive, said poor market conditions had forced the company to curtail output of all its products. Containerboard production had been reduced, and temporary shutdowns had taken place at all pulp and paper mills, as well as some sawmills.

The Alberni plywood division and a sawmill at Port Alberni on Vancouver Island have been closed permanently, while another sawmill has been mothballed.

Mr Findlay said the company was preparing to restructure its operations, scaling down in some areas, while seeking growth opportunities in those where it felt it had a greater competitive advantage.

● **Repap Enterprises,** *North* America's fourth largest coated paper producer, has raised C$150m (US$130m) by selling a convertible debenture issue to Canadian and US institutions. The coupon rate is 8.5 per cent, **writes Robert Gibbens in Montreal.**

Repap, with capacity of nearly 1m short tonnes of coated papers and also a big pulp producer, will use the money to repay debt and improve liquidity.

The debentures are convertible into subordinate voting shares at US$6.75, are callable at par after 3¾ years and may be repaid in mid-1997 in subordinate shares.

Oryx Gold Holdings Limited

(Incorporated in the Republic of South Africa – Company Registration No. 89/01900/06)

Share capital: Stated – 587 500 100 ordinary shares of no-par value
: Issued – 165 000 200 ordinary shares of no-par value

Report for the quarter ended 30 June 1991

	Quarter ended 30.06.1991 R'000	Quarter ended 31.03.1991 R'000	Year to date 01.09.1990 30.06.1991 R'000
INCOME STATEMENT			
Income			
Interest received	25 485	20 512	68 807
Financing costs	25 373	20 416	68 497
Sundry expenditure	111	90	315
Income/(loss) before taxation	1	6	(5)
Taxation	–	6	–
Income/(loss) after taxation	1	–	(5)
Retained income at beginning of period	11 646	11 646	11 652
Retained income at end of period	11 647	11 646	11 647
BALANCE SHEET			
Capital employed			
Share capital	621 089	621 089	621 089
Shareholders' loans	52 295	–	52 295
Retained income	11 647	11 646	11 647
	685 031	632 735	685 031
Long-term liabilities (note 1)	541 473	490 427	541 473
Deferred taxation	784	784	784
	1 227 288	1 123 946	1 227 288
Employment of capital			
Fixed assets	424 526	424 526	424 526
Loan to St. Helena Gold Mines Limited	796 034	693 624	796 034
Net current assets	6 728	5 796	6 728
Current assets	9 654	10 914	9 654
Current liabilities	2 926	5 118	2 926
	1 227 288	1 123 946	1 227 288
NOTE:			
Long-term liabilities			
Includes a Eurodollar loan of $30 million ($25 million previous quarter), which is fully covered	81 305	68 778	81 305

REMARKS:
(i) *The figures are unaudited.*
(ii) The report has been approved by the board.
(iii) The attention of shareholders is also drawn to the quarterly report of the Oryx mine which appears elsewhere in this edition.
(iv) *Financing arrangements to complete Phase 1 of the project have been concluded with the major shareholders.*

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)

London office
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

By order of the board
General Mining, Metals and Minerals Limited.
Secretaries
Per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg
17 July 1991

Copies are available from the London office

Beatrix Mines Limited

(Incorporated in the Republic of South Africa – Company Registration No. 77/02138/06)

Share capital: Authorised – 150 000 000 ordinary shares of no-par value
: Issued – 85 000 000 ordinary shares of no-par value

Report for the quarter ended 30 June 1991

	Quarter ended 30.06.1991 R'000	Quarter ended 31.03.1991 R'000	Year to date 01.09.1990 30.06.1991 R'000
INCOME STATEMENT			
Income			
Interest received	942	1 644	4 362
Royalty	15 283	15 317	50 941
Dividends	5 500	4 000	25 500
	21 725	20 961	80 803
Sundry expenditure	174	155	502
Income before taxation	21 551	20 806	80 301
Taxation	7 707	7 668	26 310
Income after taxation	13 844	13 138	53 991
Retained income at beginning of period	8 426	28 438	1 429
Distributable income	22 270	41 576	55 420
Dividends declared	–	33 150	33 150
Retained income at end of period	22 270	8 426	22 270
BALANCE SHEET			
Capital employed			
Share capital	131 466	131 466	131 466
Retained income	22 270	8 426	22 270
	153 736	139 892	153 736
Employment of capital			
Fixed assets	128 026	128 026	128 026
Net current assets	25 710	11 866	25 710
Current assets	35 729	47 263	35 729
Current liabilities	10 019	35 397	10 019
	153 736	139 892	153 736

REMARKS:
(i) The figures are unaudited.
(ii) The report has been approved by the board.
(iii) The attention of shareholders is also drawn to the quarterly report of the Beatrix mine which appears elsewhere in this edition.

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Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

By order of the board
General Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg
17 July 1991

Copies are available from the London office

NOTICE TO WARRANT HOLDERS OF

Sumitomo Chemical Company, Limited
(Incorporated with limited liability under the Commercial Code of Japan)
(the "Company")
U.S. $200,000,000
2¼ per cent. Bonds 1992 with Warrants
and
U.S. $400,000,000
4⅛ per cent. Bonds 1993 with Warrants
to subscribe for shares of the common stock of
SUMITOMO CHEMICAL COMPANY, LIMITED

To the Holders of the above-captioned Warrants (the "1992 Warrants" and the "1993" Warrant", respectively):

You are hereby notified that the Board of Directors of Sumitomo Chemical Company, Limited (the "Company") resolved on 21st and 28th June, 1991 that it will issue on 9th July, 1991 ¥10,000,000,000 Convertible Bonds maturing in 1998, ¥10,000,000,000 Convertible Bonds maturing in 1999 and ¥10,000,000,000 Convertible Bonds maturing in 2000 all Convertible into shares of the common stock of the Company at the initial conversion price of Yen 487 per *share.*

The issues of the above Convertible Bonds require adjustments of the Subscription Prices for the Warrants.

With effect from 9th July, 1991 (Japan time), the Subscription Prices for the Warrants have been adjusted as follows:

Current Subscription Price of the1992 Warrants	Yen 783.40
New Subscription Price of the 1992 Warrants	Yen 782.00
Current Subscription Price of the 1993 Warrants	Yen 983.50
New Subscription Price of the 1993 Warrants	Yen 981.80

SUMITOMO CHEMICAL COMPANY, LIMITED
By: The Sumitomo Bank, Limited
18th July, 1991 as Principal Paying and Warrant Agent

INTERNATIONAL CAPITAL MARKETS

Big Bang debate hots up in South Africa

Philip Gawith on the JSE's future

SHARES on the Johannesburg Stock Exchange (JSE) have moved ahead strongly this year, helped in large measure by increasing foreign interest as the country gets to grips with international political rehabilitation.

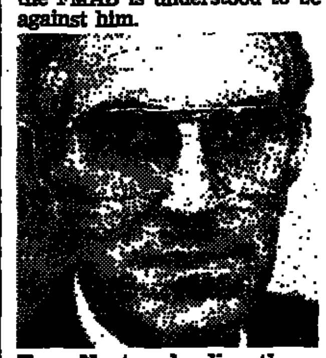
But, as many newcomers are discovering, the JSE is untouched by the changes which swept through most of the developed financial world during the 1980s.

The debate about whether the JSE should have its own "Big Bang" is fierce. The issue is being examined by the Financial Markets Advisory Board (FMAB) which is expected to make recommendations within two months.

In its present structure, the JSE has three significant restrictions: brokers must act in a single capacity (as agents, not principals); commissions are fixed; and members have to accept unlimited liability, which excludes corporate membership.

Opponents of the status quo would like to see some, if not all, of these restrictions go.

At the forefront of those opposing a Big Bang is Mr Tony Norton, the JSE's president. The balance of opinion on the FMAB is understood to be against him.



Tony Norton: leading the opposition to a Big Bang

If Mr Norton has a trump card it probably lies in the political arena. South Africa, by common consent, has an unhealthy amount of economic concentration. Any move which accentuates this would be political dynamite, and few dispute that the capital required to run a dual-capacity market would inevitably come from those already considered too powerful.

On the merits of the argument, Mr Norton says there is no international model for a good exchange. He also adds: "We're not an international market. We're a country with exchange controls."

The balance of institutional opinion in South Africa is against dual capacity, but most would like negotiated commissions, especially on large orders. Mr Roy Mcalpine, of Liberty Asset Management, says: "The ability to compete on price is a fundamental of the capitalist system." The Competition Board, a statutory authority, has recommended that the rules should be deregulated to allow for a system of negotiated tariffs.

One constituency seen to favour deregulation is the retail banks' pursuit of their ambition of offering a "one-stop" financial services package. But there are doubts as to whether the market justifies the effort. Mr Alan McConnochie, banking analyst at stockbrokers Ed Hern Rudolph, says the 15 largest firms on the market make after-tax profits of about R30m a year. He doubts whether this is large enough to justify the risks of big banks getting involved in unlimited liability business.

An argument made in favour of a Big Bang is that the local bond market and futures exchange run without the restrictions that apply to the JSE. Mr Norton's reply is that the bond market is a trend market, dominated by professionals, that is easily surveyed.

The futures market, like the JSE, is volatile and illiquid and Mr Norton argues that single capacity is more appropriate in these circumstances for curbing conflicts of interest.

Whatever reforms are eventually visited upon the JSE, urgent attention is needed to improve liquidity. Turnover at little more than 4 per cent of market capitalisation compares poorly with 40 to 80 per cent of most developed stock markets.

There is a lack of good new companies coming to the market. Mr Mcalpine says: "A blue chip portfolio today comprises basically the same shares as 20 years ago." And there is a lack of clarity about capital gains. Currently the realisation of shares held for more than 10 years is tax free. Mr Norton believes this should be reduced to two years.

South Africans dream of foreigners scrambling to get a bit of the local action. Should this happen, then the full force of international competition will blow through those restrictive practices which remain. In the meantime, though incremental reform looks a safer bet than a Big Bang.

Treasuries dip lower as inflation fears revive

By **Patrick Harverson** in New York and **Sara Webb** in London

A SLIGHTLY larger-than-predicted rise in US consumer price inflation and signs of revival in the housing market left bond prices weaker across the board yesterday morning.

At midday, the benchmark 30-year bond was down ⅛ at 96 1/16, to yield 8.467 per cent.

The two-year note was also weaker, down 1/16 at 100 3/16, yielding 6.893 per cent.

The news that prompted the markdown of Treasuries was the 0.4 per cent rise in the "core" consumer price index (which excludes food and energy prices) during June.

The rise was more than analysts had forecast, and revived concern that the economic recovery, however tentative, will bring with it inflation pressures that could force the Federal Reserve to raise, not lower, interest rates.

The market was also troubled by a 5.2 per cent increase in June housing starts, further sign of the resurgence in economic activity since the beginning of the summer.

In the credit markets, the Federal Reserve set $2bn in customer repurchase agreements, a move which helped push the Fed funds rate down from its opening 5 13/16 per cent to its target of 5¾ per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.3657	-0.001	10.95	11.11	11.21
BELGIUM		10.000	08/00	103.2000	+0.150	9.45	9.40	9.26
CANADA *		9.750	12/01	98.6250	+0.100	9.96	10.00	9.91
DENMARK		9.000	11/00	98.1750	-	9.28	9.32	9.20
FRANCE	BTAN	9.000	02/96	99.1225	+0.108	9.21	9.26	9.22
	OAT	9.500	01/01	102.4800	+0.310	9.08	9.12	9.14
GERMANY		8.375	05/01	98.6800	+0.040	8.57	8.53	8.54
ITALY		12.500	03/01	98.0500	+0.040	13.27	13.20	13.19
JAPAN	No 119	4.800	06/99	87.9947	+0.003	7.18	7.22	7.30
	No 129	6.400	03/00	98.2188	-	6.72	6.78	6.85
NETHERLANDS		8.500	03/01	97.9900	-0.020	8.80	8.77	8.83
SPAIN		11.900	07/96	100.2250	-0.050	11.82	11.83	11.98
UK GILTS		10.000	11/96	98-28	-	10.27	10.23	10.43
		10.000	02/01	98-21	-	10.22	10.25	10.55
		9.000	10/08	92-11	+07/32	9.93	9.99	10.23
US TREASURY *		8.000	05/01	98-04	-03/32	8.28	8.34	8.27
		8.125	05/21	96-08	-04/32	8.47	8.52	8.47

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ GERMAN government bond prices edged higher despite new bond issuance and poor economic news yesterday.

The Liffe bund futures contract slipped after opening at 84.20 ahead of the new issue of one and two-year zero coupon bonds, but picked up later in the afternoon.

Bids were accepted for DM3.29bn in a two-tranche tender for zero-coupon notes.

A total of DM2.50bn of bids were accepted for the one-year tranche, while bids amounting to DM787m were accepted for the two-year tranche.

The average yield on the one-year notes at issue was 9.20 per cent, although traders pointed out that bids yielding as much as 9.28 per cent were accepted.

The yield on the two-year paper was 9.18 per cent.

Traders said that poor economic news unsettled the bond market, referring to a statement from a Finance Ministry spokesman that Germany's total public sector deficit will soar to around DM156bn in 1991, from DM93.2bn in 1990.

Mr Theo Waigel, finance minister, set a ceiling for the 1991 public sector deficit of DM140bn last November.

Elsewhere, traders reported further buying of French government bonds which helped to lift prices.

The French bond futures contract on the Matif rose from 105.22 to 105.28 as hopes were raised that the central bank would ease interest rates soon.

■ UK government bonds firmed in the afternoon, helped by domestic buying, and finished slightly higher on the day.

The benchmark 11¾ per cent gilt due 2003/07 gained ⅛ to trade at 110⅞ by late afternoon with a yield of 10.21 per cent.

Short-dated gilts made small gains, but traders said there was little interest at the short end of the market as hopes of a further cut in the base rate have dwindled.

■ JAPANESE government bond prices inched up in dull trade yesterday.

The yield on the benchmark No 129 bond opened at 6.73 per cent and closed at 6.72 per cent, having moved in a narrow range of 6.72 to 6.735 per cent during the day.

Country funds may be listed in Osaka

THE big Japanese securities houses are gearing up for the first listing of country funds in Japan, possibly in the fourth quarter of this year on the Osaka Stock Exchange (OSE), AP-DJ reports from Tokyo.

Country funds, which invest in the securities of a single country, usually one that prevents direct foreign ownership of shares, are currently traded in London, Singapore and New York. Daiwa Securities has made an informal application to the OSE to list a Thai capital fund, while other leading brokerage houses are preparing similar moves.

OSE officials said that the exchange is seeking Ministry of Finance approval to list the funds.

The moves follow a Finance Ministry advisory group's recommendation in May that regulations on setting up country funds be eased as one means of promoting the flow of Japanese money to less developed countries.

Daiwa said it was also planning to list a Singapore fund. Nomura Securities said it was preparing a country fund but added that it was uncertain when Nomura will be able to formally secure issuers to lead manage such a fund.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:10 pm on July 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅜	102⅛	+⅛	7.66
ALBERTA PROVINCE 9 3/8 95	600	103⅝	103⅞	+⅛	8.38
AUSTRIA 8 1/2 00	400	98¼	98⅝		8.78
BANK OF TOKYO 8 3/8 96	100	98⅞	99¼		8.69
BELGIUM 9 1/8 92	400	101⅜	102⅛	-⅛	7.46
BFCE 7 3/4 97	150	98	98⅜	+⅛	8.19
BNP 8 5/8 94	300	101½	101⅞		8.04
BP CAPITAL 9 5/8 93	150	102⅝	103⅛		7.73
CANADA 9 96	1000	103	103⅜		8.17
CARCO 9 1/4 96	650	100⅞	101⅛		9.18
CCCE 9 1/4 95	300	103⅛	103⅝		8.15
COUNCIL EUROPE 8 96	100	98⅝	99		8.34
CREDIT FONCIER 9 1/2 99	300	103⅝	104	+⅛	8.79
DENMARK 0 98	250	54½	55	-⅛	8.99
DENMARK 8 1/4 94	150	100⅞	101¼		7.91
ECSC 8 1/4 96	193	100	100⅜		8.23
EEC 7 1/4 93	250	99⅞	100¼		7.38
EIB 7 3/4 96	250	98¼	98⅝		8.19
EIB 9 1/4 97	1000	102⅝	103		8.65
ELEC DE FRANCE 9 98	200	101⅞	102¼	+⅛	8.60
EUROFIMA 9 1/4 96	100	102⅜	102⅞	+⅛	8.59
EXPORT DEV CORP 9 1/2 98	150	103⅝	104⅛		8.76
FINLAND 7 7/8 97	200	96¼	97		8.74
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅝	-⅛	8.42
FORD MOTOR CREDIT 9 1/2 93	300	102⅜	102⅞	-⅛	8.27
GEN ELEC CAPITAL 9 3/8 96	300	103⅛	103⅝	-⅛	8.52
GMAC 9 1/8 96	200	100⅝	100⅞	-⅛	9.00
HALIFAX 9 1/2 93	200	102⅝	103	-⅛	7.97
IBM WORLD TRADE 7 5/8 93	150	99½	100⅛	+⅛	7.84
IND BK JAPAN FIN 7 7/8 97	200	95⅞	96¼		8.81
INTER AMER DEV 7 5/8 96	200	96½	96⅞		8.48
ITALY 8 1/2 94	1500	101⅛	101⅜		7.94
JAPAN DEV BK 8 94	150	100⅜	100⅞		7.83
KANSAI ELEC PWR 10 96	350	104⅜	104⅞	-⅛	8.80
LTCB 8 5/8 93	150	101⅛	101⅝		7.82
NEW ZEALAND 8 93	100	100½	101	+⅛	7.70
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝	-⅛	8.07
NIPPON TEL & TEL 9 3/8 95	200	103½	104		8.19
NORDIC INV BANK 9 93	200	102⅝	103⅛		7.50
ONTARIO HYDRO 11 5/8 94	200	107⅞	108⅜	-⅛	8.32
OSTER KONTROLLBANK 8 1/8 93	200	101	101⅜	-⅛	7.42
PETRO-CANADA 7 1/4 96	200	95⅛	95⅝	+⅛	8.51
PRUDENTIAL RLTY SECS 0 99	365.216	50⅜	50⅞	-⅛	9.58
QUEBEC HYDRO 9 3/4 98	150	103	103½		9.15
QUEBEC PROV 9 98	200	99⅝	100	-⅛	9.11
SAINSBURY 9 1/8 96	150	101½	102⅛	-⅛	8.74
SAS 10 99	200	99½	100⅜		10.08
SBAB 9 1/2 95	500	103⅝	104		8.35
STATE BK STH AUST 9 1/4 93	100	101⅞	102⅛	-⅛	7.95
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅝	103⅛		8.06
SWEDEN 8 1/8 94	150	100⅝	101	-⅛	7.98
SWEDISH EXPORT 9 5/8 93	100	103⅛	103½		7.44
TOKYO METROPOLIS 8 1/4 96	200	99⅜	99⅞		8.38
WORLD BANK 8 3/8 99	1500	99	99¼		8.73
WORLD BANK 8 3/4 97	1500	102	102⅛	+⅛	8.47
XEROX CORPN 8 3/8 96	100	95⅜	96⅞	+⅛	9.47
DEUTSCHE MARK STRAIGHTS					
DEUTSCHE BK FIN 5 5/8 96	750	89⅜	89½	-⅛	8.37
DEUTSCHE FINANCE 7 1/2 95	1000	97⅝	97⅞		8.28
EEC 5 3/8 93	300	95¼	95¾	+1⅛	9.03
EIB 5 3/4 98	400	86¼	86⅝	+⅛	8.52
EIB 6 7/8 95	300	94½	94½	+½	8.43
EUROFIMA 6 1/4 98	400	87½	87⅞		8.71
FERRO DEL STAT 5 3/8 93	500	95	95		9.06
IND BK JAPAN FIN 5 5/8 96	200	87⅜	87⅝		8.87
IND DEV BK INDIA 6 3/8 94	200	88½	88½	+⅛	10.51
INTER AMER DEV 7 1/4 99	300	92½	92⅞	-⅛	8.59
LUFTHANSA INT FIN 5 7/8 98	500	85¼	85⅝	+⅛	8.86
MET EST & PROP INTL 7 99	150	87¼	87⅝	+⅛	9.36
NAT BK HUNGARY 8 96	200	91	91	+⅛	10.26
QUEBEC HYDRO 6 3/4 99	300	88⅛	88⅝	-⅛	8.81
SWEDEN 6 1/8 93	300	88	88	-⅛	8.55
VENEZUELA 8 1/4 93	100	95⅜	95⅞	-1⅛	10.68
WORLD BANK 0 15	2000	15⅜	15⅝	-⅛	7.83
WORLD BANK 5 3/4 96	300	87⅛	87⅜	-2	9.26
WORLD BANK 7 1/8 95	500	96¼	96½	-⅛	8.38
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	92½	93½		6.70
AUSTRIA 4 5/8 98	100	88½	89¼		6.85
CHUJITSUYA 7 3/4 95	50	101⅛	102		7.31
COUNCIL EUROPE 4 3/4 98	250	89½	90¼		6.77
EEC 5 1/2 00	100	90⅜			6.87
EIB 5 3/4 93	100	97½	98		6.95
ELEC DE FRANCE 7 1/4 06	100	104	105		6.80
FINLAND 5 3/8 95	150	96¼	96⅝	+⅛	6.39
GENERAL MOTORS 7 1/2 95	100	101⅛	101⅜		7.09
JAPAN DEV BK 5 1/2 94	100	96¼	98		6.91
NEW ZEALAND 4 7/8 99	200	88	89	-⅛	6.97
QUEBEC HYDRO 5 08	100	78	80	-1	7.32
SKANDINAVISKA ENSK 6 1/2 95	100	99½	100½		6.65
WORLD BANK 5 03	150	86	86½		6.73
WORLD BANK 7 01	600	102⅛	102⅝		6.69
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	94⅞	95⅛		7.04
CANADA 4 3/8 92	60000	97⅝	97⅞	-⅛	7.36
CREDIT FONCIER 5 1/4 94	20000	94¼	94⅝		7.18
DENMARK 7 95	40000	100	100¼		6.98
EIB 4 5/8 94	40000	94	94⅛	-⅛	7.05
GENERAL ELECTRIC 5 3/4 93	35000	97⅜	97⅞		7.41
INTER AMER DEV 7 1/4 00	30000	101⅞	102	-⅛	6.97
ITALY 5 3/4 92	150000	99⅛	99⅜	+⅛	6.79
KANSAI ELEC PWR 4 5/8 94	60000	93⅝	93⅞		7.22
NIPPON TEL & TEL 5 7/8 96	50000	95½	95⅞		6.93
NORWAY 5 1/8 95	50000	94	94¼	-⅛	7.01
SWEDEN 5 5/8 95	20000	95¼	95⅝		7.00
WORLD BANK 6 3/4 00	50000	99¼	99½	-⅛	6.86

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅛	95⅛		9.33
KREDIETCORP 7 93 LFr	1000	95⅝	96⅜		9.28
WORLD BANK 8 96 LFr	1000	96½	97½		8.92
AMRO BANK 6 1/4 92 Fl	150	96⅝	97⅛		9.68
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.53
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅜	-⅛	9.72
BCE INC 9 5/8 93 C$	300	99¼	99⅝		10.14
BELL CANADA 10 5/8 99 C$	150	98⅛	98⅜	-⅛	10.96
BRITISH COLUMBIA 9 1/4 93 C$	150	99	99½		9.87
EIB 10 1/8 98 C$	130	98⅝	99⅛	-⅛	10.40
FORD CREDIT CANADA 10 94 C$	100	98	98½	+⅛	10.79
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅝	101⅛		9.88
MONTREAL TRUSTCO 8 1/2 92 C$	100	98⅝	99⅛		10.63
ONTARIO HYDRO 10 7/8 99 C$	500	100¼	100⅝		10.83
QUEBEC PROV 10 1/2 98 C$	200	97⅜	97⅞	-⅛	11.01
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅝	99⅞	+⅛	10.60
SWEDEN 9 3/4 93 C$	250	100⅛	100⅝		9.63
BELGIUM 9 1/8 96 Ecu	1250	99⅝	100	+⅛	9.13
CNT 7 3/8 93 Ecu	250	95⅝	96⅛	-⅛	10.10
CREDIT LYONNAIS 9 96 Ecu	125	96⅜	98¼	-⅛	9.97
DENMARK 7 5/8 96 Ecu	250	91⅞	92⅜	+⅛	9.89
EEC 7 5/8 94 Ecu	200	96⅜	96⅞		9.22
EIB 10 97 Ecu	1125	104⅛	104⅝		8.97
ITALY 10 3/4 00 Ecu	1000	108⅛	108⅝		9.32
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅝	100	+⅛	9.13
BMW FINANCE 14 1/2 92 A$	100	101½	102¼	-⅛	12.10
COUNCIL EUROPE 13 93 A$	50	101⅞	102⅜	+⅛	11.90
EKSPORTFINANS 12 3/8 95 A$	75	102⅞	103⅜		11.39
FORD CRED AUST 13 93 A$	50	100⅝	101⅛	+⅛	12.43
ICI 15 1/2 92 A$	100	102⅛	103⅛	-⅛	12.18
MCDONALDS CANADA 15 95 A$	100	108⅛	109	+⅛	12.15
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105⅝	106⅛		11.99
STATE BK NSW 14 1/4 99 A$	100	108⅝	109⅛	+⅛	12.48
VOLKSWAGEN INTL 15 94 A$	100	106⅞	107⅜		11.87
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106½		11.16
BARCLAYS JERSEY 9 1/2 93 £	250	97⅝	98		11.02
BRITISH GAS 12 3/4 95 £	300	105	105½		10.93
DEUTSCHE BK FIN 11 94 £	225	100⅝	101⅛	+⅛	10.58
EIB 10 97 £	386.5	97⅛	97½	+⅛	10.68
FORD CREDIT FUNDING 9 5/8 93 £	50	96⅜	97⅛		11.73
INTER AMER DEV 11 3/8 95 £	75	102	102½		10.69
ITALY 10 1/2 14 £	400	93⅝	94⅛	+⅛	11.24
LAND SECS 9 1/2 07 £	200	81⅞	82⅛	+⅛	12.14
LEEDS PERMANENT 9 1/4 93 £	50	96⅜	97⅛		11.24
NORWAY 10 1/2 94 £	200	99⅛	99⅝	+⅛	10.67
ROLLS-ROYCE 9 5/8 93 £	150	96⅞	97⅜		11.49
SAINSBURY 10 7/8 93 £	100	99⅝	100		11.15
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅝	+1	11.26
WORLD BANK 11 1/4 95 £	100	101⅞	102⅛	+⅛	10.64
ABBEY NATIONAL 0 96 NZ$	100	58⅞	59⅜		10.88
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104⅛	105⅛		10.84
AIDC 7 7/8 93 FFr	600	96¼	96½	+⅛	9.82
CREDIT LYONNAIS 10 95 FFr	3200	101⅞	101⅝	+⅛	9.55
EURATOM 7 5/8 98 FFr	500	91⅞	92⅛	-⅛	9.26

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.00	100.10	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.47	99.57	11.9550
BANCO ROMA 0.03 01	200	92.00	93.00	6.4675
BANCO SANTO SPIRITO 93	200	99.54	99.64	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.05	9.1250
BFCE -0.02 96	350	99.81	99.91	6.3050
BNP 05	300	95.88	96.88	6.3125
BRITANNIA 1/10 96 £	150	99.08	99.28	11.9750
CCCE 06 ECU	200	99.81	99.91	9.5938
CITIZENS FED 0.15 96	100	99.35	99.80	7.0250
COMMERZBK O/S FIN 93	200	99.88	99.98	6.5625
DENMARK -1/8 96	1000	99.59	99.69	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.98	100.08	9.2656
ELEC DE FRANCE 1/8 99	400	100.40	100.75	7.0000
FERRO DEL STAT 94	200	100.48	100.73	6.8750
HALIFAX 1/10 94 £	200	99.81	99.91	11.7250
HILL SAMUEL 1/4 PERP	75	84.50	86.50	6.4375
MITSUI FIN ASIA 1/8 96	100	99.53	99.63	7.0000
MORGAN (JP) 1/4 97	250	98.50	99.25	6.2500
NAT WEST FIN 3/16 05	400	91.75	92.75	6.5000
NEW ZEALAND 93	500	99.84	99.94	6.5000
QUEBEC PROV 01	300	96.33	96.58	6.1250
RENFE 98	500	99.88	99.98	6.0625
SOCIETE GENERALE 96	300	99.10	99.20	6.3125
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.99	100.02	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	115⅜	116⅜	+7.83
ASDA-MFI 4 3/4 02 £	100	1.64	117⅛	118⅛	
BURTON GROUP 4 3/4 01 £	110	3.15	116½	118⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	96⅛	97⅛	+19.16
GOLD KALGOORLIE 7 1/2 00	65	1.0554	73	74	+39.57
GOODYEAR TIRE 6 7/8 03	150	80¼	75⅜	76⅜	+65.16
GRACE (WR) 6 1/4 02	150	42⅛	90⅜	91⅝	+16.25
HANSON 9 1/2 06 £	500	2.5875	97⅝	98⅛	+22.28
HAWLEY 6 02 PREF	400	19.1	77⅝	81⅛	
HILLSDOWN 4 1/2 02 £	150	4.16	110½	111⅝	+99.00
INTL PAPER 5 3/4 02	200	68⅛	106⅛	107⅝	+3.36
LAND SECS 6 3/4 02 £	84	6.72	81⅛	82⅜	+13.98
MITSUBISHI BK 1 3/4 02	300	2727.1	99	100⅞	+0.25
OGDEN 6 02	85	39.077	68⅝	69⅝	+43.02
PACIFIC DUNLOP 6 3/4 97	75	3.749	104⅜	105⅜	+0.55
TEXAS INSTRUMENTS 2 3/4 02	300	82⅜	83⅝	84⅝	+89.31
THORN EMI 5 3/4 04 £	103	7.45	113⅛	114⅛	+14.82

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Crédit Local raises $200m as activity winds down

By Simon London

NEW issue activity in the international bond market was subdued yesterday, with investors waiting for the outcome of the G7 summit in London and the market winding down for the summer holiday season.

However, Crédit Local de France came with a $200m four-year deal, lead managed by Daiwa Europe. The issue carries a coupon of 8¼ per cent and was re-offered to investors at the fixed price of 99.95. The lead manager said that Tuesday's three-year deal for the Export Development Corporation of Canada, via Credit Suisse First Boston, had revealed demand for longer-dated dollar issues. The dollar yield curve is very steep between the three-year and five-year maturities and yesterday's issue carried a higher coupon than the EDC deal.

The lead manager reported a strong demand from continental European institutional investors. When the deal was freed to find a market price, it traded at 99.93 bid.

INTERNATIONAL BONDS

Elsewhere, Central International, a financing vehicle for Banco Central of Spain, launched a $60m mandatorily convertible Eurobond lead managed by Merrill Lynch. The five-year deal carries a coupon indicated at between 9¾ per cent and 10 per cent, payable semi-annually, and will convert into Banco Central shares at the end of the bonds' life.

Similar Ecu-denominated transactions have been launched earlier in the year for both Banco Central and Banesto. The proceeds of the issue will effectively count as Tier I or core capital for the bank under the Basle guidelines. The shares into which the bonds convert were formally held by a subsidiary of the bank and counted as a deduction from core capital. As part of the issue structure, the shares are put into trust until conversion takes place, and deduction is no longer required.

In the equity warrant sector of the market, two dollar-denominated issues were launched by Toa Corporation and Shiroki Corporation, following yesterday's Ecu-denominated issue by Mizuno.

Yesterday's issue was the first Ecu-denominated warrant bond issue by a Japanese firm since 1988 and was a response to over-supply in the market. However, yesterday's deals fared well, both trading above the issue price of par.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit Local de France(a)†	200	8¼	101.325	1995	1⅝/1½	Daiwa Europe
Toa Corp(a)♦	100	4½	100	1995	2¼/1½	Nikko Securities
Shiroki Corp(a)♦	90	4⅞	100	1995	2¼/1½	Daiwa Europe
Central Int.(d)§	60	(9¾-10)	100	1996	2½/1½	Merrill Lynch
PESETAS						
Council of Europe(b)†	10bn	11.7	101.8	1998	1⅝	Banco Hispano Americano
SWISS FRANCS						
Wacker Chemicals Finance(a)†	75	7	101½	1999	-	Credit Suisse
Kaga Ei(c)★★♦	40	3⅝	100	1995	1½	Coutts & Co.
Takeo Co.(a)★★†	20	7¼	100	1998	-	Dai-Ichi Kgyo.Bk (Schweiz)

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Matador issue. Non-callable. c) Early redemption 8/8/92 at 101½%. d) Conversion mandatory. Coupon payable semi-annually. Non-callable.

Toronto proposes all-Canada watchdog

By Bernard Simon in Toronto

THE Toronto stock exchange has proposed setting up a new body to regulate all the members of Canada's four stock exchanges.

The proposal applies only to supervision of the brokerage industry. But should the new agency materialise, it could give impetus to moves to centralise regulation of the entire securities market, which is presently split among government-appointed securities commissions in each of Canada's 10 provinces.

The TSE, which is by far the largest of the four exchanges, said that the new agency might be an independent unit or an affiliate of the Investment Dealers Association, a securities industry lobby group. The IDA's regulatory functions would also be rolled into the new body.

Canada's other stock exchanges are in Montreal, Vancouver and Calgary.

The TSE said that by putting the supervision of member firms in a separate organisation, the exchange "will be better able to focus on its core business: the provision of a trading market". It is also expected that a single regulatory body would lead to sizeable cost savings.

The TSE said that one condition of its proposal was that the new body would have to provide a level of member regulation and investor protection as high or higher than present standards.

Regulators lay basis for fraud fight

By George Graham in Paris

INTERNATIONAL stock market regulators have agreed on new principles for bilateral co-operation in the fight against securities fraud.

The technical committee of the International Organisation of Securities Commissions (Iosco), which groups stock market regulatory authorities from around the world, decided yesterday on 10 principles for future agreements between members.

"It is important that supervisors insist that national borders should not be used to shield fraud," said Mr Richard Breeden, chairman of the US Securities and Exchange Commission (SEC) as well as of the Iosco technical committee.

A number of bilateral agreements allowing the exchange of information between regulatory authorities already exists.

Richard Breeden: 'Borders should not shield fraud.'

The SEC, for example, already has such an agreement with France's Commission des Operations de Bourse (COB), as well as with regulators in the UK and the Netherlands.

Mr Breeden said a third of the big insider trading cases dealt with by the SEC now involved some form of international investigation, making it essential to be able to pursue offenders across national borders.

The technical committee, which includes only 13 of the 51 countries represented in Iosco, agreed on the principles after a two-day meeting in Paris. They will be put to Iosco's full annual conference in Washington in September.

The meeting also discussed proposals for harmonising the capital adequacy requirements imposed on financial market intermediaries in different countries. Mr Breeden said considerable progress had been made but he doubted that the final proposals would be ready in time for the Washington meeting.

"The development of the Basle capital formulas [covering banks] took 14 years, reflecting the fact that global banking supervisors had many of the same difficulties that confront securities supervisors – differences of markets, differences of regulatory traditions, differences of principle," Mr Breeden commented, warning that the ultimate goal was not complete uniformity but the development of common basic principles.

The stock market supervisors plan to meet with the banking supervisors of the Basle Committee to hammer out a common approach to the regulation of bank and non-bank intermediaries in the financial markets.

Chicago to trade pollution permits

By Barbara Durr in Chicago

IN a move that could break more new ground for futures trading, the Chicago Board of Trade (CBOT) has approved specifications to turn government pollution permits into traded contracts.

While it remains unclear how much of a market can be made in such permits, the concept could open up a new area of futures trading, according to the CBOT. Environmental regulations on greenhouse gases could lead to more such permits.

Under the 1990 Clean Air Act, the US Environmental Protection Agency is to issue rights to emit sulphur dioxide to coal-powered energy companies.

The rights are part of the EPA's plan to bring polluting energy plants into compliance with stricter air standards by the year 2000. Sulphur dioxide is a key component of acid rain.

The allowances, which will be issued in 1995 and can be traded among the power plants, will be the underlying commodity for the new CBOT futures contract.

If, for example, a power plant chooses not to install new technology for a cleaner burn of coal, it could buy allowances – or the futures in such allowances – to emit larger amounts of sulphur dioxide. A plant that does install new equipment, however, could benefit by selling its allowances.

This latest contract proposal adds significantly to the CBOT's range of new futures. In just over a year, it has proposed three entirely new types of futures.

Interest-rate swap futures began trading last month, and insurance futures, proposed last year, will be introduced in October.

The CBOT will submit its proposed contract on pollution allowances to the Commodity Futures Trading Commission for approval.

● The CBOT is to start trading its Major Market Index (MMI) futures 30 minutes earlier – starting at 7.45am – from September 9. The revision, in line with a move by the Chicago Mercantile Exchange, follows plans for an early trading start by the New York Stock Exchange.

Chase sells 14-branch Spanish arm

By David Barchard

CHASE MANHATTAN BANK has sold its 14-branch Spanish retail banking subsidiary, Chase Manhattan Bank Espana, to Caixa Geral de Depositos, of Portugal.

Terms have not been disclosed. Mr Tom Swayne, Chase's Europe Area Executive, described the sale as an important step in his bank's plan to withdraw from retail banking in Europe and concentrate on services to corporations, institutions, and high net-worth individuals.

Chase will continue to concentrate on corporate finance, risk management, and information and transaction business, through its Madrid branch. Earlier this year, it sold its UK mortgage business and credit card operations. It established its first branch in Spain 12 years ago.

The sale gives Caixa Geral, a state-owned bank and the largest Portuguese bank with assets of $21.8bn in 1990, a network of branches in Spain. On Monday, it announced the purchase of Banco da Extremadura, a regional bank.

London bankers saw the move as part of Caixa Geral's preparations for the European single market.

Banks to advise on Argentine sale

By John Barham in Bueno Aires

ARGENTINA has awarded the mandate to handle the privatisation of Segba, the big electricity utility, to a group of investment banks comprising First Boston, Kleinwort Benson and Argentina's Banco General de Negocios.

Segba reported sales of $1.36bn in 1990.

Mr Domingo Cavallo, economy minister, is relying far more on independent financial advisers, technical consultants and auditors.

The advisers will be paid by the government with World Bank loans.

Kuwait seeks Dutch loan

By Sara Webb

KUWAIT is negotiating a Fl 2bn trade finance facility with ABN Amro, the large Dutch bank, to help with the country's reconstruction.

ABN Amro said the facility is intended to help finance the export of capital goods and services from the Netherlands to Kuwait.

It added that the facility could be used for "a large number of potential projects by Dutch companies, including projects where Dutch companies are subcontracted by companies from other countries".

ABN Amro, the lead manager for the facility, says several Dutch companies have been in contact with the bank for further information.

Other banks which are discussing participating in the deal include Rabobank and Credit Lyonnais Bank Nederland. ABN Amro said all commercial banks would be free to participate once the loan arrangements were in place.

Many of the details, including fees, are still under negotiation, and it is unclear at this stage whether the final arrangement will be made through the Kuwaiti Central Bank or through the Kuwait Investment Authority (KIA), a government agency.

Turkish bank doubles capital

ZIRAATBANK, Turkey's leading state-run commercial bank, has doubled its capital to TL4,000bn Reuter reports from Ankara.

The bank said the decision was made after net profits for 1990 exceeded TL1,000bn.

Ziraatbank's assets totalled TL33,900bn at the end of 1990.

It has 1,252 branches, seven of them abroad.

Jakarta SE aims to increase confidence

THE Jakarta stock exchange plans to tighten regulatory controls to increase public confidence in the stock market, Reuter reports from Jakarta.

The Capital Market Supervisory Board (Bapepam), the state body which controls the exchange, said new rules which take effect this week include accountants to disclose any irregularities that might hurt investors.

"The rules promote full disclosure and fairness in order to protect investors. We want our market to have similar standards to other markets overseas," said Mr Marzuki Usman, Bapepam chairman.

Accountants' auditing companies, investment funds and other institutions involved in the bourse will have to report within three days anything that might hurt investors.

The institutions will be fined Rp1m ($512) a day for each day if they fail to report. Bapepam will penalise investment managers and advisers for embezzlement or giving wrong or incomplete information.

Permits for traders, brokers, underwriters and investment advisers have also been tightened. Underwriters must now have experience in the share market for at least three years.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Wed Jul 17 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Jul 16 Index No.	Mon Jul 15 Index No.	Fri Jul 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	815.81	......	10.63	5.91	11.61	22.20	815.48	806.24	802.71	895.55
2	Building Materials (24)	1036.66	......	9.41	6.02	13.46	30.76	1036.38	1023.63	1021.01	1128.85
3	Contracting, Construction (31)	1145.63	......	9.61	6.81	13.73	31.97	1144.99	1140.47	1133.38	1461.53
4	Electricals (10)	2370.30	+1.5	10.83	5.65	11.75	61.85	2335.81	2312.92	2280.07	2470.73
5	Electronics (25)	1705.89	−0.3	8.82	5.27	15.08	46.44	1710.21	1691.14	1717.57	1834.89
6	Engineering-Aerospace (8)	407.82	+0.1	16.78	6.15	7.15	12.11	407.45	406.88	406.70	483.26
7	Engineering-General (46)	442.03	+0.6	12.47	5.70	9.82	11.82	439.31	434.51	433.31	491.25
8	Metals and Metal Forming (8)	438.80	+1.8	16.08	8.05	7.64	16.70	431.02	425.45	436.71	494.54
9	Motors (12)	318.49	+1.2	12.41	7.59	9.50	9.98	314.76	308.51	304.11	361.20
10	Other Industrial Materials (20)	1561.03	−0.9	8.93	5.15	13.16	34.85	1574.93	1553.44	1525.48	1640.16
21	CONSUMER GROUP (187)	1502.18	+0.1	7.81	3.62	15.76	24.21	1500.99	1487.27	1467.65	1332.00
22	Brewers and Distillers (22)	1838.48	+0.3	8.37	3.61	14.57	27.57	1832.13	1813.45	1789.91	1642.45
25	Food Manufacturing (19)	1177.52	−0.7	9.74	4.20	12.67	24.43	1185.41	1181.40	1169.32	1125.15
26	Food Retailing (17)	2761.29	+1.2	7.80	3.04	16.76	39.61	2729.20	2700.48	2661.57	2614.73
27	Health and Household (22)	3661.52	−0.3	5.20	2.35	21.99	30.86	3670.74	3623.60	3555.82	2636.85
29	Hotels and Leisure (23)	1238.18	+0.1	10.27	5.60	11.62	30.99	1236.96	1222.05	1212.78	1462.31
30	Media (26)	1409.26	+0.1	9.08	4.99	13.97	36.17	1407.65	1408.35	1398.11	0.00
31	Packaging, Paper & Printing (17)	721.07	+0.6	7.80	4.58	15.47	14.33	717.11	706.45	701.98	621.64
34	Stores (32)	936.23	......	8.28	3.88	15.78	17.06	936.67	930.72	918.24	824.54
35	Textiles (9)	551.11	+0.2	9.10	5.62	13.65	13.79	550.20	539.22	538.30	493.99
40	OTHER GROUPS (109)	1234.67	−0.1	10.14	5.20	12.15	23.73	1235.48	1227.06	1219.39	1199.36
41	Business Services (12)	1280.82	−0.2	8.95	5.09	13.64	29.13	1283.72	1274.21	1267.41	0.00
42	Chemicals (21)	1407.37	......	8.01	5.12	14.10	32.92	1406.81	1394.60	1387.49	1295.88
43	Conglomerates (10)	1436.22	+0.1	10.61	7.22	11.38	31.93	1434.07	1422.24	1411.83	1662.56
44	Transport (13)	2167.15	−0.2	8.73	4.92	14.21	48.98	2170.85	2144.06	2135.63	2344.99
45	Electricity (16)	1198.96	−0.3	14.40	5.42	8.87	18.41	1202.74	1200.77	1214.71	0.00
46	Telephone Networks (4)	1466.55	......	10.11	4.15	12.94	5.58	1467.36	1458.85	1443.51	1240.89
47	Water (10)	2332.42	+1.0	17.57	6.60	6.30	118.37	2308.94	2287.86	2261.79	1908.94
48	Miscellaneous (23)	2010.02	−0.5	6.02	4.80	21.55	47.89	2020.84	2009.54	1982.04	1823.21
49	INDUSTRIAL GROUP (480)	1249.14	......	9.10	4.57	13.54	24.03	1248.83	1237.83	1226.36	1193.83
51	Oil & Gas (20)	2491.88	+0.9	10.89	5.49	12.08	50.59	2469.92	2447.29	2415.23	2357.91
59	500 SHARE INDEX (500)	1353.75	+0.1	9.33	4.69	13.33	26.28	1351.89	1339.93	1326.84	1291.50
61	FINANCIAL GROUP (94)	799.20	+0.5	–	5.93	–	20.81	795.54	787.08	773.85	820.36
62	Banks (9)	926.64	+1.1	6.47	5.98	23.40	22.63	916.45	896.34	869.32	883.89
65	Insurance (Life) (7)	1483.98	−0.4	–	5.57	–	41.64	1490.43	1479.09	1458.56	1501.24
66	Insurance (Composite) (6)	659.35	−0.7	–	6.64	–	20.23	663.67	661.58	656.26	707.02
67	Insurance (Brokers) (8)	1161.10	+0.9	6.72	5.83	19.29	30.61	1151.01	1147.58	1140.30	961.89
68	Merchant Banks (7)	425.20	+0.8	–	4.93	–	11.00	421.73	417.94	416.81	443.08
69	Property (37)	891.66	+0.6	6.28	5.24	22.88	19.84	886.26	891.19	887.25	1096.35
70	Other Financial (20)	257.89	......	11.11	6.99	11.26	7.80	258.01	257.28	257.76	290.89
71	Investment Trusts (70)	1209.34	−0.2	–	3.49	–	19.41	1211.79	1202.77	1195.98	1233.50
99	ALL-SHARE INDEX (664)	1219.47	+0.2	–	4.82	–	24.65	1217.40	1206.38	1193.62	1177.97

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 16	Jul 15	Jul 12	Jul 11	Jul 10	Year ago
FT-SE 100 SHARE INDEX♦	2561.0	+4.2	2561.6	2545.2	2556.8	2532.5	2497.4	2510.5	2508.4	2402.0

FIXED INTEREST

	PRICE INDICES	Wed Jul 17	Day's change %	Tue Jul 16	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	120.92	+0.01	120.91	1.68	6.71
2	5-15 years (27)	131.72	+0.08	131.61	2.54	7.10
3	Over 15 years (9)	139.17	+0.16	138.95	2.60	6.44
4	Irredeemables (6)	152.43	+0.13	152.23	1.89	7.34
5	All stocks (71)	130.53	+0.06	130.45	2.25	7.02
	Index-Linked					
6	Up to 5 years (1)	159.55	+0.06	159.45	0.59	2.72
7	Over 5 years (10)	144.79	+0.18	144.84	0.40	2.76
8	All stocks (11)	145.78	+0.17	145.82	0.41	2.76
9	Debs & Loans (56)	109.50	+0.03	109.46	2.57	5.33

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 17	Tue Jul 16	Year ago (approx.)
	British Government				
1	Low	5 years	9.03	9.04	10.73
2	Coupons	15 years	9.86	9.87	10.72
3	(0%-7¾%)	20 years	9.86	9.87	10.72
4	Medium	5 years	10.26	10.26	12.02
5	Coupons	15 years	10.06	10.08	11.21
6	(8%-10¾%)	20 years	9.99	10.01	10.87
7	High	5 years	10.44	10.44	12.12
8	Coupons	15 years	10.19	10.21	11.45
9	(11%-)	20 years	10.08	10.10	11.09
10	Irredeemables	†	10.05	10.06	10.79
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.46	4.47	5.43
12	Inflation rate 5%	Over 5 yrs.	4.37	4.38	4.33
13	Inflation rate 10%	Up to 5 yrs.	3.46	3.47	4.25
14	Inflation rate 10%	Over 5 yrs.	4.17	4.18	4.14
15	Debs &	5 years	11.95	11.95	13.60
16	Loans	15 years	11.73	11.73	12.81
17		25 years	11.51	11.51	12.54

♦Opening Index 2550.3; 9 am 2557.7; 10 am 2558.1; 11 am 2550.7; Noon 2549.9; 1 pm 2547.5; 2 pm 2546.4; 2.30 pm 2546.0; 3 pm 2549.9; 4.10 pm 2561.5; (a) 4.11pm (b) 2.36pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	13	28
Corporations, Dominion and Foreign Bonds	1	6	13
Industrials	249	273	994
Financial and Properties	105	128	507
Oils	21	15	54
Plantations	0	0	10
Mines	27	22	112
Others	59	46	45
Totals	504	503	1,763

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§100	F.P.	–	107	101	Abtrust Preferred Inc.Tst.	102	–1	M12.32	–	16.1	–
§102	F.P.	–	108¼	104	Do. Zero Div. Prf.	108¼		–	–	–	–
–	F.P.	–	41	10	Aegis Warrants 5p	39	–2	–	–	–	–
‡	F.P.	–	185	185	Brockhampton 10p	185		–	–	–	–
‡	F.P.	–	33	33	Do. A Warrants 10p	33		–	–	–	–
‡	F.P.	–	155	140	Do. Non/Vtg. A 10p	155	+10	–	–	–	–
†	F.P.	–	106	105	Capital Ventures 1p	105	–1	–	–	–	–
100	F.P.	–	102	95½	City Merchants High Yld	96		N7.5	–	10.4	–
225	F.P.	–	236	225	Eurocamp 5p	236	+9	R8.5	2.5	4.8	11.3
–	F.P.	–	518	505	Fleming Emrg. Mkts.	508	–2	–	–	–	–
–	F.P.	–	½	¼	Gaelic Res. Wrnts.	½	+¼	–	–	–	–
Ir230	F.P.	–	245	205	Greencore Ir£1	210		u06%	5.9	1.9	8.9
385	F.P.	–	335	272	Manchester United 10p	285	–1	–	–	–	–
125	F.P.	–	127	89	Mirror Grp. Newspapers	93	+1	R6.55	1.7	9.4	8.4
100	F.P.	–	113	100	Moorgate Smaller Co's.	105		M4.13	–	5.2	–
35	F.P.	–	39	36	Do. Warrants	36		–	–	–	–
240	100	–	124½	109	Scot Hydro-Elect. 50p	111	+1½	R9.13	1.9	4.8	13.4
240	100	–	119½	101	Scottish Power 50p	102½	+1	L9.2	u2.1	5.1	10.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
‡	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	110¼	98¾	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	101	+¼
100	F.P.	-	101¼	96¾	EE Finance 8¾pc Gtd. Exch. Bds. 2006	100¾	–½
Ir110p	Nil	-	22½p	18p	Fyffes 8.25p (Net) Cnv Cm Prf Ir£1	21p	–1½
100p	F.P.	-	104½p	97½p	Queens Moat Houses 7½pc Cv Rd Pf	97½p	–2
100	F.P.	-	103¾	96½	RMC Capital 8¾pc Cnv. Bds. 2006	98¾	+¼
100	F.P.	-	103½	96¼	Tarmac 9½pc Cnv. Cap. Bds. 2006	98¼	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
83	Nil	–	9½pm	8pm	Amber Day 2½p	9½pm	+1
155	Nil	–	31pm	9pm	BPB Industries 50p	28pm	
140	Nil	–	15pm	14pm	British Fittings 20p	15pm	
Ir25p	Nil	–	¼pm	¼pm	♦Bula Resources Ir25p	¼pm	
2½	Nil	–	2pm	½pm	Coverdale 1p	¾pm	–¼
88	Nil	–	4pm	3pm	Countryside Props.	3pm	
108	Nil	–	7pm	4pm	Dart Group 10p	6pm	+1
31	Nil	–	2½pm	1½pm	Ex-Lands 10p	1½pm	
50	Nil	–	2pm	1½pm	Gardner (D.C.) 5p	1½pm	–½
71	Nil	–	7pm	2pm	Regalian Properties	2pm	
312	Nil	–	63pm	39pm	Sainsbury (J)	63pm	+8
22	Nil	–	¼pm	¼pm	Tie Rack 5p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings July 8
- Last Dealings July 19
- Last Declarations Oct. 10
- For settlement Oct. 21

For rate indications see end of London Share Service

Calls in Brent Walker, Business Tech., Delta Gold, Howden and Westland warrants. Put in Brent Walker.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*560)	500	59½	75½	85	½	4½	9
	550	13	40	52½	3½	15½	24
	600	1½	17	29½	41	44½	50
ASDA (*94)	80	14	14½	16½	½	1¼	2¼
	90	4¼	7¾	11	1	5½	6
	100	½	3½	6½	6½	11½	11½
Brit. Airways (*171)	140	31	36	38½	¼	1	3½
	160	11½	20½	23½	1	5	7
	180	1	9	12	9	13½	16½
SmKl Beecham A (*824)	750	74	92½	111	½	7	12
	800	24	57	77½	2½	20½	27
	850	2¼	30½	52	29½	44½	50½
Boots (*401)	360	41	52½	58½	½	2½	5¼
	390	12	31½	37	1¾	9	13½
	420	–	14	23	–	23½	27
B.P. (*356)	330	26	30½	37½	½	1½	2¼
	360	3½	14	20	8½	16½	20½
	390	½	4	6¼	34	37½	40½
British Steel (*124)	110	13½	16	–	½	1½	–
	120	4½	9	12	1½	3¼	6¼
	130	¼	4¼	7¾	6¾	9	11
Bass (*943)	929	16½	57½	–	5	24	–
	950	–	–	62½	–	–	51½
	977	1¼	32½	–	35	49	–
C & Wire (*570)	500	69½	85½	96½	½	3½	7
	550	22	46½	61	2¼	15½	19½
	600	1	20½	35½	30½	39½	46½
Courtaulds (*438)	390	48	60	68	½	3½	7
	420	18	37	48	1	10¼	14½
	460	–	16½	27	–	27	31
Com. Union (*523)	460	64	65½	80	½	4	7
	500	24	36½	51½	½	13½	17½
	550	½	12½	26½	26	40½	43½
Fisons (*510)	460	50	66	77	½	4½	8½
	500	10	36	49	2¼	14½	20½
	550	½	13½	24½	41	41	43
GKN (*344)	330	13½	23	33	1½	13½	17½
	360	1	10	20	18	29	32½
	390	½	4½	10½	47½	52½	55½
Grand Met. (*796)	750	45½	68½	89	2	16	24
	800	8	39½	58½	13½	37	46
	850	¼	19½	38	54½	70	75
I.C.I. (*1296)	[illegible]						
Kingfisher (*514)	[illegible]						
Ladbroke (*249)	[illegible]						
Land Secur (*486)	[illegible]						
M & S (*268)	[illegible]						
Sainsbury (*376)	[illegible]						
Shell Trans. (*533)	[illegible]						
Storehouse (*107)	[illegible]						
Trafalgar (*242)	[illegible]						
Utd. Biscuits (*385)	[illegible]						

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Unilever (*743)	700	41½	67½	80½	1¼	7	13½
	750	4½	34½	51½	12½	25½	33½
Ultramar (*274)	260	13	21	27½	¾	6	9
	280	2	10½	18½	9	17	20
Option		**Aug**	**Nov**	**Feb**	**Aug**	**Nov**	**Feb**
Brit Aero (*571)	550	31	43	60½	8½	20	23
	600	8	21	34½	36½	46½	50½
BAA (*423)	420	16½	30½	38	10	16	22
	460	3	14½	21	38	40½	42
BAT Inds (*759)	700	67	72½	91½	3¼	13	18
	750	24½	39	63½	16½	30½	37½
BTR (*401)	390	20	27	38½	6¼	15½	18
	420	6	13½	24	22	32½	35½
Brit. Telecom (*368)	360	11	21	26¼	9¾	14	18
	390	1	7½	14½	33	34	37
Cadbury Sch (*377)	360	23	33	44	5	10¼	14½
	390	7½	17½	27	20	25	28
Eastern Elec (*182)	180	8	15½	19½	5½	8½	11½
	200	2	7	10	17½	19½	20½
Guinness (*991)	950	57½	80½	107	8½	21	27
	1000	24½	51½	77½	26	40	47½
GEC (*191)	180	13	19	21	2	3¼	5¾
	200	2½	7¼	10¾	11	12½	14¾
Hanson (*208)	200	12	19	21	2½	5¼	10¾
	220	2½	8½	10½	13½	15½	21½
LASMO (*350)	330	27½	37½	47½	5	10½	14½
	360	7½	18½	30	19½	22½	27½
Lucas Inds (*145)	140	8½	14	15½	4	8	9½
	160	2¼	6	7	15½	17½	20½
P. & O. (*544)	500	50½	57½	67½	3¾	12	16½
	550	17½	27½	40½	20	33½	38
Pilkington (*154)	140	16	22	24	1¾	4¾	7
	160	4½	10½	15	10½	12½	16½
Prudential (*238)	220	21	26	30	2	4¾	6¾
	240	9	14¾	20	6¾	12½	15
Racal (*218)	200	21	29½	35½	2½	6½	9
	220	9¼	16¼	24	9¼	15¾	18
R.T.Z. (*574)	550	36½	48½	64½	7½	16	21
	[illegible]						
Scot. & New (*420)	[illegible]						
Tesco (*280)	[illegible]						
Thames Water	[illegible]						
STC (*280)	[illegible]						
Abbey Nat. (*298)	[illegible]						
Amstrad (*49)	[illegible]						
Barclays (*468)	[illegible]						
Blue Circle (*253)	[illegible]						
British Gas (*242)	[illegible]						
Dixons (*224)	[illegible]						

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel (*460)	460	29	46½	61½	20	28¾	35½
	500	11½	28½	41½	46½	51½	56½
Glaxo (*1279)	1250	74	107	138	38½	51	58½
	1300	47	80	111	64½	73½	78½
Hawker Sidd. (*554)	550	33½	46½	60½	20½	32½	37½
	600	13½	25½	40½	52½	60½	62½
Hillsdown (*229)	220	17½	23½	29½	5¾	10	12
	240	7¼	13½	19½	16½	19½	21½
Lonrho (*256)	240	19	27	29½	5½	9	15½
	260	7¼	15¾	18½	15½	19	26
Midland Bk (*200)	200	11½	18½	24½	12	13¼	15½
	220	4¼	10½	15¾	23½	25½	27
National Power (*143)	140	10	14	18¾	5½	7¼	10
	160	3	5¼	9	19	20	20½
Reuters (*797)	750	68½	98	120	18	28½	38½
	800	41½	68½	90½	40½	50½	60½
R. Royce (*146)	140	10	14	18¼	5½	7¼	10
	160	3	5¼	9	19	20	20½
Sears (*74)	70	6½	8½	11	2½	4	4¼
	80	2	4	5¾	7¼	8	9
THF (*249)	240	17	21½	27½	4¼	8½	11½
	260	6¾	12	18½	14½	18½	21½
Thorn EMI (*732)	700	51½	70	81½	10	19	22½
	750	21½	41	51½	30½	41½	46½
TSB (*145)	140	6½	11	13	5½	6	8½
	160	1½	3	5	19½	19½	21½
Vaal Reefs (*$74)	70	8¼	12	14	5¼	7¼	10¼
	80	4½	8	10¼	11¼	13¼	15¼
Wellcome (*742)	700	68½	86½	108	15	25½	29½
	750	38½	58½	80½	34½	44½	48½
Option		**Sep**	**Dec**		**Sep**	**Dec**	
Scottish Power (*103)	100	8	12	–	2¾	4¼	–
	110	4¼	6½	–	9	10	–

EURO FT-SE INDEX (*2561)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jul	248	198	148	102	57½	24½	6½	2
Aug	263	215	167	124	85½	53½	30½	14½
Sep	276	–	185	–	107	–	53½	–
Dec	321	–	243	–	170	–	112	–
Mar	367	–	295	–	222	–	162	–
PUTS	[illegible]							

FT-SE INDEX (*2561)

2300 2350 2400 2450 2500 2550 2600 2650

[illegible]

July 17 Total Contracts 31,884 Calls 6,193 Puts 8,073

FT-SE Index Calls 1,773 Puts 3,033

Euro FT-SE Calls 202 Puts 494

*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Bulmer sparkles as cider sales rise

By Philip Rawstorne

VIGOROUS MARKETING and a sales drive in the leading brewers' tenanted pubs helped HP Bulmer Holdings, the Hereford-based cider maker, lift full-year pre-tax profits by 20 per cent from £12m to £14.4m.

Strongbow, the group's main cider brand, increased market share to lead in both the licensed and off-licence trade as last year's fine summer stimulated a near-10 per cent rise in total UK cider consumption to 76.4m gallons.

In Australia, heavy advertising contributed to a 20 per cent increase in Strongbow sales.

Mr John Rudgard, chief executive, said the results were beginning to justify the decision to increase advertising and marketing expenditure from £5.5m in 1988 to £13.5m last year. "The growth of our own brands – and that of the cider market in general – is largely due to our investment in marketing," he said.

Group operating profits for the year to April 26 rose 15 per cent from £17.6m to £20.2m on turnover 7 per cent lower at £211.3m (£226.4m), after withdrawal from the wines and spirits business in the UK and the disposal of a fruit juice company in Australia.

Earnings per share increased by 16 per cent to 16.2p (13.95p). A final dividend of 5.15p is proposed, lifting the total by 9 per cent to 11.13p (10.2p).

Operating profits of the UK drinks business were 17 per cent higher at £16m (£13.7m) on turnover down 5 per cent from £194.4m to £183.9m.

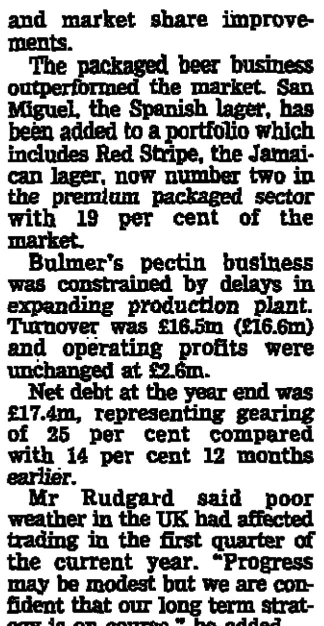
Soft drinks volumes and profits suffered from lower Perrier volumes. Sales of the French water are still 50 per cent below the levels before last year's withdrawal of suspected contaminated stocks. Orangina sales volumes were 36 per cent higher, however, and Kiri also showed volume and market share improvements.

The packaged beer business outperformed the market. San Miguel, the Spanish lager, has been added to a portfolio which includes Red Stripe, the Jamaican lager, now number two in the premium packaged sector with 19 per cent of the market.

Bulmer's pectin business was constrained by delays in expanding production plant. Turnover was £16.5m (£16.6m) and operating profits were unchanged at £2.6m.

Net debt at the year end was £17.4m, representing gearing of 25 per cent compared with 14 per cent 12 months earlier.

Mr Rudgard said poor weather in the UK had affected trading in the first quarter of the current year. "Progress may be modest but we are confident that our long term strategy is on course," he added.



John Rutgard: growth due to investment in marketing

E Midlands Electricity makes £16m security purchase

By Richard Gourlay

EAST MIDLANDS Electricity has announced its second acquisition since privatisation with the purchase of Ambassador Security, a burglar alarm installation company.

The recommended 48p cash offer, some 37 per cent above Tuesday's closing price, values Ambassador at £16.4m and has been accepted by more than 53 per cent of the security company's shareholders.

There is a loan note alternative carrying an interest rate 1 per cent below the London interbank offered rate.

East Midlands is paying more than 11 times Ambassador's 1990 earnings. Pre-tax profits for the period were £1m from sales of £4.7m.

Mr John Harris, chairman, said the acquisition would enhance its existing security business which has sales of £2m.

East Midlands made taxable profits of £119.1m from sales of £1.33bn in the year to March 31.

Ambassador would also fit with East Midlands' new electrical engineering division, Mr Harris said. This was expanded in March after it paid Thomas Robinson £22m for its contracting division and an equipment company.

Mr Harris said East Midlands was trying to develop businesses supplying services into buildings including data communications, mechanical and electrical contracting in order to expand profits from its unregulated businesses.

East Midlands' security business had reached the size where it was about to have to make a substantial investment in central monitoring stations, Mr Harris said. Ambassador has two stations, in London and Bradford.

The acquisition will increase gearing by about 6 percentage points. At March 31 gearing stood at 29 per cent.

Ambassador installs and maintains security systems leased mainly to industrial and commercial customers while East Midlands has been supplying primarily to the domestic market.

Trevor Humphries

No clogs or jeans in sight - a more formal Jim Maxmin yesterday

Long search proves fruitful as Laura Ashley lands new chief

By David Owen

LAURA ASHLEY, the fashion and furnishings group which last year underwent a major restructuring, has found a new chief executive nearly nine months after initiating a search with a highly unusual advertising campaign.

Mr Jim Maxmin will assume the position on September 15 after eight years with Thorn EMI, the music, lighting and technology group.

Most recently, he oversaw the acquisition of Rent-A-Center, Thorn's US consumer equipment rental business. He previously had spells with Unilever, Lex Service and Volvo Concessionaires UK.

Regarded as an unconventional manager, US-born Mr Maxmin, 48, said yesterday that he did not intend to arrive for work "in clogs and jeans", as he has been known to do in some of his previous jobs.

He may, however, attempt to retrieve the 'Bullshit' stamp with which he was known earlier in his career for condemning deserving correspondence.

"I lost it – but it might not be a bad idea to go and find it again," he said of the stamp yesterday. "I don't believe in rigid hierarchies or huge bureaucracies."

He said that he saw his new position as a unique opportunity to develop "one of the top brands in the world", which he believes is "clearly underperforming."

The company is experiencing problems in "bringing product to market quickly enough" and needs to "design some complementary and supplementary products," he said. "It needs to change from being a sales-driven to a market-driven company."

He admitted that he did not even see the advertisement, which was unusual in featuring the Laura Ashley name rather than the usual oblique reference to "a major public company."

It was said at the time that the search might take longer than is usually the case because of the international nature of the appointment.

Nearly three months ago, the group reported increased pre-tax losses of £6.67m for the year to January 26, but stressed that its balance sheet had been "radically strengthened." In all, net borrowings fell from £87m to £23m and gearing from 119 per cent to 25 per cent.

This followed the negotiation of a trading link with Aeon Group which resulted in the Japanese retailer taking a 15 per cent stake while bringing group debts down by £45m.

See Lex

NEWS DIGEST

Hughes Food calls halt to dealings

HUGHES Food Group, the lose-making food services company which is quoted on the USM, yesterday called a halt to dealings in its shares.

The company, which announced an interim pre-tax loss of £6.82m in March, said it had requested a temporary suspension of dealings in the company's shares pending a clarification of the financial position. The shares were suspended at 4p.

In addition to the loss there was also an extraordinary charge of £5.45m which included operating results of subsidiaries Hughes had sold or planned to sell.

The last balance sheet at March 1990 showed a deficiency on the source and application of funds statement of £327,000 compared with a surplus of £12.9m a year earlier.

Matahari extends Kingsgrange offer

Matahari 374 has received acceptances for its £8.6m cash offer for Kingsgrange by holders representing 47.84 per cent of the capital. It is extending its offer until July.

Dewhirst Group, which is also bidding for the toiletries manufacturer, has again urged shareholders not to accept the offer from Matahari.

First Maryland higher at $44.2m

Pre-tax profits at First Maryland Bancorp, Allied Irish Bank's wholly-owned subsidiary, improved from $34.7m to $44.2m (£26.8m) in the first half of 1991. Second quarter profits were $29.6m, against $7.53m.

The improvement was the result of of a strong growth in fee income, a lower provision for loan losses and net investment securities gains of $1.7m.

At the end of the period $174m was held as reserves for possible loan losses representing more than double non-performing loans.

Low take-up for Willaire rights

Willaire Group's rights issue at 25p per share to raise £4.7m has been taken up by only 13.185 per cent. So the outstanding 17.3m shares will be subscribed for by sub-underwriters.

Willaire called for the money to cover losses and provide working capital for expansion into the EFTPOS market, through a licensing agreement under which a subsidiary makes systems for the banking industry.

Steel Burrill Jones £0.13m investment

Steel Burrill Jones, the insurance and reinsurance broker, is to take a controlling interest for an initial £129,000 cash in a new company broking stop-loss insurance to Lloyd's Names.

The company, SBJ Harrison Stuart, is being formed by Mr John Harrison and Mr James Stuart, both formerly of Holman Wade, which dominates the Lloyd's market for stop-loss.

Smiths Industries in Soviet joint venture

Kelvin Hughes, the marine electronics arm of Smiths Industries, has formed a joint venture in the Soviet Union to manufacture navigational radar displays for Soviet merchant ships.

Kelvin Hughes will hold 45 per cent of the equity and its principal partner, Horizont, a leading Soviet radar systems manufacturer, will hold 40 per cent. Other minority shareholdings will be held by the Ministry of Foreign Trade and Morsvjazsputnik, the technical branch of the Ministry of Merchant Marine.

The new company is expected to have an initial turnover of at least £3m a year.

New premiums fall at Legal & General

Legal & General, the general and life insurer, reported disappointing figures this week for new business.

Recession and increasing unemployment in the UK were the main factors constraining growth, although the company believes the decline in new annual and pensions premiums since the fourth quarter of 1989 has bottomed out.

New annual premiums worldwide amounted to £120m in the six months to June 30, compared with £148.6m in the same period of last year.

Single premiums rose to £450.2m (£298.9m), largely reflecting the effect of £179m in three one-off purchases by company pension funds.

New annual premiums in the UK fell to £89.1m (£119.4m). New annual premiums for mortgage-related products were £29.5m (£44.7m).

Hardanger near possible deal

Hardanger Properties is near to securing the group's solvency.

Mr Derek Coombs, chairman, told the extraordinary meeting that he believed the group was close to finalising a proposal which would involve a purchaser – a substantial company – taking title to all properties over which the main bankers, Barclays, presently have security and Barclays releasing all claims against the group.

"We are encouraged by the fact that the prospective purchaser has in the past two months invested substantial time and money in setting up its proposal," he stated.

Pilkington attacks detractors

By Ian Hamilton Fazey, Northern Correspondent

SIR ANTONY Pilkington, chairman of the glassmaker, yesterday hit out at "incorrect assessments" of Pilkington's performance and prospects following its year-end results last month.

He told the company's annual meeting in St Helens, Merseyside, that the 52 per cent fall in pre-tax profits to £151.6m was entirely the result of recession and did not detract from the underlying strength of a strategic position built over many years.

He also rejected suggestions that Pilkington should dispose of Visioncare, the US contact lens and spectacles group bought from Revlon for £360m four years ago in an attempt to add a counter-cyclical side to the company's trading.

Coburn, an optical machinery business, is for sale. Mr Andrew Robb, finance director, said last night that there was "active" interest but no negotiations. Visioncare's future was under review but the priority was to make it profitable.

Pilkington is thought unlikely to sell ahead of this, since it would compound the error of buying at the top of the market.

Sir Antony stressed that when the leading industrial economies recovered, the company stood to make substantial profits from its recent investments in high technology glass production.

BOARD MEETINGS

TODAY

Interims- Drayton Far Eastern, Tribune Inv Trust, Trust of Property Shares, Witan Inv.

Finals- Brasway, British Bloodstock Agency, EIT, Ebiel, Goode Durrant, Grahams Rintoul Inv Trust, Great Universal Stores, Hampson Inds, Jones Stroud, Joseph (Leopold), Peel Hldgs, Prism Leisure, Stanley Leisure.

FUTURE DATES

Interims-	
Chieftain	Aug. 1
Green Property	July 25
Holders Technology	July 24
P & P	July 23
Sphere Inv Trust	July 29
Finals-	
Cupid	July 23
Douglas (Robert M)	July 25
Neepsend	July 31
Smith (David S)	July 25

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bulmer (HP)	fin	5.15	Sept 9	4.77	8.35	7.85
Campari Intl	int	3	Sept 6	2.5	-	11
Gen Cons Inv Tst	int	4.3	Oct 1	4.3	-	10.41
Hewetson §	fin	2.9	Oct 1	2.9	4.5	4.5
Microgen	int	2.2†	Aug 23	2.2	-	7
Moorgate Inv Tst	fin	3.8	Sept 9	3.5*	5.5	5.1*
Norbain Elects	fin	0.7	Oct 31	0.7	0.7	0.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.86	16.16	16.16
0100	15.55	16.16	16.16
0130	15.61	16.16	16.16
0200	15.61	16.16	16.16
0230	15.61	16.16	16.16
0300	15.57	16.16	16.16
0330	15.57	16.16	16.16
0400	15.54	16.10	16.10
0430	15.54	16.10	16.10
0500	15.54	16.10	16.10
0530	20.60	16.16	16.16
0600	18.13	16.16	16.16
0630	18.13	16.10	16.10
0700	18.13	18.61	19.81
0730	18.80	19.19	20.42
0800	20.09	20.37	21.86
0830	20.14	27.10	28.86
0900	21.47	28.57	30.69
0930	21.70	31.20	33.59
1000	21.86	31.90	34.44
1030	22.03	32.02	34.61
1100	22.28	32.15	34.78
1130	22.67	32.65	35.40
1200	31.16	32.78	35.53
1230	30.90	31.52	33.97
1300	30.39	29.88	31.90
1330	21.57	21.82	23.31
1400	21.37	20.89	22.34
1430	21.31	19.87	21.16
1500	21.30	19.67	20.94
1530	21.29	21.16	22.47
1600	30.98	21.34	22.71
1630	31.00	21.77	23.28
1700	28.73	21.94	23.48
1730	21.30	21.72	23.20
1800	21.28	21.24	22.59
1830	21.24	19.15	20.38
1900	19.39	18.89	20.09
1930	19.00	18.71	19.91
2000	18.62	18.71	19.92
2030	18.29	18.61	19.81
2100	21.24	18.61	19.81
2130	21.24	18.61	19.81
2200	21.24	20.87	22.23
2230	27.51	20.97	22.21
2300	27.51	20.87	22.21
2330	18.14	18.61	19.80
2400	15.67	18.61	19.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Bank of Yokohama seeks rest of Guinness Mahon

By David Owen

THE BANK of Yokohama yesterday launched a recommended £10.9m cash offer for the outstanding 13.3 per cent stake in Guinness Mahon Holdings, valuing the merchant bank at £81.9m.

The move follows a Stock Exchange decision that Guinness Mahon could no longer retain its listed company status as less than 25 per cent of its issued share capital was in public hands.

Bank of Yokohama's interest in the group rose from 65 per cent to 86.7 per cent after a recent 7-for-4 rights issue.

Yesterday's 46p per share offer is pitched at a discount to Guinness Mahon's post-rights issue net asset value of 52.6p per share but at a 53 per cent premium to Tuesday's closing market price of 30p.

It is also at a slight premium to the rights issue price of 44p per share. The shares yesterday rose 15p to 45p.

"It was very important to pitch the offer at a level that people would accept," said Mr David Potter, Guinness Mahon's chief executive. For as long as the group continues to run at a loss, its net asset value was "trickling down".

Bank of Yokohama has received irrevocable undertakings to accept its terms from holders of just over 30 per cent of the shares to which the offer relates. The vast majority of these are owned by companies and pension funds associated with Mr Robert Maxwell, the publisher.

Holders of a further 27.3 per cent of the shares in question have indicated their present intention to accept the offer, which is conditional on receiving 90 per cent acceptances.

In April, Guinness Mahon unveiled interim losses of £35.5m for the six months to March 31 due principally to a £30m bad debt provision.

The group has warned that further loan provisions may be required in respect of later periods. "Any bank who got up and said that there was no possibility of further losses would be very unwise," said Mr Potter yesterday.

Bank of Yokohama bought control of the company about two years ago in what was seen as a ground-breaking move by a Japanese bank into UK merchant banking.

Ferranti sells telepoint business

By Paul Abrahams

FERRANTI has sold Creditphone, its subsidiary that owns a majority stake in Zonephone, the troubled telepoint business, to Zonephone's minority shareholders. Ferranti has written off its £16m investment in the telepoint business.

The 64 per cent holding has been sold for "a very small consideration", according to Ferranti, to four venture capital groups, Electra Investment Trust, Fleming Ventures, Melville Street Investments and The British Technology Group.

Ferranti said that under the terms of the deal it can receive a percentage of any subsequent sale. The new owners plan to rename Creditphone as Libera Telecom.

The venture capital companies are looking for additional capital to change Zonephone's base station technology to a new standard called CAI. This would allow subscribers to use other telepoint companies' base stations. The groups have invested about £9m in the business so far.

Zonephone has less than 2,000 base stations, most of which are within the M25 area around London. The service, which was suspended last week, has between 2,000 and 3,000 subscribers.

The move confirms the dire state of the British telepoint sector, which was supposed to offer a lighter, cheaper and more reliable mobile telephone service than cellular.

The industry has been caught between a shortage of customers and excessive competition. Both Zonephone and Mercury Callpoint, another telepoint operator, have criticised the government for licensing four telepoint operators.

Mercury Callpoint ceased operations this month. Hutchison Telecom, part of Hong Kong's Hutchison Whampoa group, acquired the telepoint operator Byps Communications last February, but has not yet started services. The other telepoint group is BT's Phonepoint.

Good start for Johnson Matthey

By Kenneth Gooding

Although there was no clear end in sight to the recession in the UK and North America, Johnson Matthey, the world's biggest platinum marketing group, made a good start to the current year, said Mr David Davies, chairman, at yesterday's annual meeting.

Results for the first quarter in nearly all parts of the group were in line with budget and ahead of last year, he added.

Precious metals operations were enjoying another good year and materials technology was coping well with difficult economic conditions.

The catalytic systems business continued to suffer from depressed car sales in the US but the European market was growing rapidly.

The colour and print division, in the throes of a rationalisation programme, was meeting its profit objectives, said Mr Davies.

Retiring chief to oversee shake-up at Clydesdale

By James Buxton, Scottish Correspondent

MR RICHARD Cole-Hamilton, chief executive of the Clydesdale Bank, the Glasgow-based subsidiary of National Australia Bank, is to retire at the end of next year.

In the meantime he will preside over a shake-up of head office operations which will follow a review by the consultants Booz Allen, who arrive at the bank next month.

Mr Cole-Hamilton, who has been chief executive of the bank for nine years, will be 58 when he retires. He believes it is appropriate for the bank to find a new chief executive now that Clydesdale's assimilation by NAB "is nearing successful completion."

NAB bought Clydesdale from the Midland Bank in 1987. Since then profits have increased substantially, reaching £70m last year. But the bank, which operates almost entirely in Scotland, has admitted it is dissatisfied with its high cost-income ratio of 68.8 per cent.

Although the branch structure was reorganised following the takeover, the headquarters operation has been left largely untouched. There are likely to be job losses among the 7,600 staff as a result of the shake-up.

International consultants are to look for a successor to Mr Cole-Hamilton who will be expected to join the bank in the next few months. They will also look at internal candidates.

Sir Eric Yarrow, chairman of the bank, steps down at the end of this year and will be succeeded by Sir David Nickson, former chairman of the Confederation of British Industry and now chairman of Scottish Enterprise.

Hewetson falls 27% and makes cash call

By Peter Franklin

HEWETSON, the USM-quoted building materials manufacturer and supplier, yesterday announced that it was to raise about £1.6m via a rights issue and move to the main market.

The issue – of up to 2.43m shares at 75p on a 1-for-4 basis and/or five new ordinary shares for every 24 convertible redeemable preference shares – has been fully underwritten by 3i Corporate Finance.

Proceeds will be used in the short-term to reduce borrowings and strengthen the balance sheet, which has been affected by writing off some £4.6m of goodwill relating to acquisitions.

Hewetson's shares closed down 2p at 79p. The announcement accompanied a 27 per cent fall in pre-tax profits from £2.21m to £1.61m in the year to end-March.

Mr Peter Price, chairman, said the last quarter had proved particularly difficult, with high interest rates, the Gulf war and inclement weather all affecting the figures.

Turnover rose 26 per cent from £34.1m to £43m. Profits at the operating level declined by £233,000 to £2.41m.

The cost of acquisitions and the capital investment programme resulted in an increase in borrowings to £3.9m; interest charges leapt from £434,000 to £798,000. Gearing reached 104 per cent.

Earnings per share came out at 11.98p (16.6p) or 10.92p (14.19p) fully-diluted. An unchanged final dividend of 2.9p is proposed, maintaining the total at 4.5p.

Mr John Hewitt, group managing director, said the depressed state of the construction industry had taken its toll, but the group's programme of diversification and a shift of operations away from the south-east towards the north of England and Scotland had helped to mitigate the downturn.

Turnover in the flooring products division improved by 21 per cent to £36.8m, and although profits had fallen short of last year at £1.41m, this could be considered satisfactory in the current climate, he said.

Turnover of £6.2m and profits of £204,000 in the construction materials division also reflected the depressed state of the UK construction industry, said Mr Hewitt.

The introduction of automation, coupled with a cost-cutting programme throughout the group, had reduced staff by some 20 per cent – more than 100 employees. Considerable benefits should ensue and would come through in the current year.

Overseas boost for Campari

Deeper market penetration overseas benefited Campari International in the half-year to May 31, which saw pre-tax profit rise by 20 per cent.

Mr Christopher Cheng, chairman of this sporting leisurewear group, said trading conditions within the UK remained difficult with some reduction in sales and gross margins.

However, turnover on the Continent, particularly in Germany, was ahead of last year. Non-UK sales accounted for 70 per cent of turnover, against 53 per cent.

Sales rose 21 per cent to £19.5m (£16.1m) but the increase in trading profit was restricted to 14 per cent at £1.2m (£1.04m). With interest received climbing 45 per cent, pre-tax profit worked through at £1.53m (£1.28m).

Mr Cheng said the autumn ranges had been well received; the order book was healthy and in line with expectations. The balance sheet remained strong and ungeared.

Earnings were 11.15p (9.46p) per share and the interim dividend is lifted to 3p (2.5p). The current accounting period will run for 18 months to December 31.

Raising money to plug the holes

Jane Fuller explains the background to Howden's rights issue

THE £30.6m rights issue announced yesterday by Howden Group, the Glasgow-based engineering concern, represents its latest move to limit the damage from its involvement in the Great Belt project linking east and west Denmark.

The 1-for-1 issue will reduce borrowings from £75.6m, gearing of at least 125 per cent, to about £45m. It will also restore shareholders' funds to £90m, after a tumble from £80m to £60m in the last financial year.

At 30p a share, the issue price was at a substantial discount to yesterday's opening price of 46p and below a nadir of 37p reached earlier this month. It is less than a fifth of the past year's peak of 157p, reached in July 1990.

Howden's problems relate mainly to the four tunnelling machines it has supplied to bore twin rail tunnels, each nearly 8km long, under the Great Belt waterway. The tunnels are part of a DKr 19bn (£1.66bn) project to provide road and rail links between Sjaelland, the island on which Copenhagen is situated, and the Jutland peninsula.

But they are 13 months behind schedule and have become a nightmare for MT Group, the international consortium carrying out construction, as well as for Howden. The machines were delivered last summer, about six months late. Since they started operating in January this year, other problems have arisen and at present all are being modified. MT has complained about the machines, Howden has blamed the way they have been operated.

Last week, the effects of the debacle on Howden showed through in the results announced for 1990-91. Pre-tax profits slumped from £22.2m to £3m, including a £10.4m exceptional charge relating to those four machines. Earnings per share fell to 1.6p (15.1p) and the final dividend was passed.

A pointer to the balance sheet damage was £16.6m of extraordinary costs related mainly to the ceasing of heavy manufacturing at Renfrew, with the loss of 500 jobs.

A rights issue was half expected with last week's figures to bolster the balance sheet. It duly came yesterday, although the annual report showing details of the damage will not be available until next month.

One thing the balance sheet will include is a £10m increase in debtors because only £31m of the £41m contract price has been received.

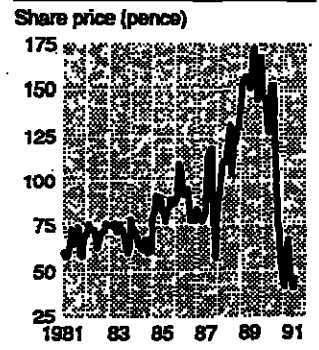
Another point of impact is borrowings. Net borrowings on April 30 were £63.7m. This compared with £47.6m the previous year, when working capital requirements for those four machines were blamed for the doubling of debt.

The rights issue document, which points out that borrowings had grown by a further £12m by June 24 this year, also blames the Great Belt, but adds another factor. Over the past four years it says, the group has spent £49m, net of proceeds from share issues, to expand by acquisition and to reorganise its businesses.

In those years, the group has come full circle in terms of moving from attributable losses to spectacular recovery and back to a deficit.

Howden

Share price (pence)



Source: Datastream

In 1986-87, before Mr Johnny Johnsen became chairman, Howden was sent into the red at the attributable level by problems with a wind park in California and with its compressor business.

Mr Johnsen took up the reins in December 1987 and a month later there was a £14.5m 1-for-3 rights issue at 74p. Most of it was spent on buying Davidson, which enhanced Howden's traditional business of making specialised fans for power stations.

In the year to April 1988, pre-tax profit recovered from £140,000 to £10.2m. Later in the year, the group made another cash call – a 1-for-5 at 99p to raise £16.4m – to buy Wirth, a German designer and maker of tunnelling equipment.

This virtually doubled the tunnelling part of the business to between 15 and 20 per cent of the total.

Pre-tax profit continued to grow, to £17.2m in 1988-89 and to £22.2m the following year on sales of £315.5m.

But even before those record 1989-90 results were announced in July last year, the first hitch occurred with the Great Belt. In April, the machines were reported to be overdue for delivery. Howden blamed changes in specification.

In July, Mr Johnsen was upbeat in his statement alongside the results announcement. He said the group was facing "the 1990s with confidence and is well placed to make further progress."

By October, a fight was on to obtain the money owing on the Great Belt contract and a month later the contractual dispute led to a profit warning. Even then the group said it did not expect year-end borrowings to be significantly higher than the £48m of April 1990.

Mr Johnsen said things had gone badly wrong since November. "Expectations of coming to a negotiated settlement proved groundless. The machines have only been operating since January this year and since then the operating problems on site have become apparent."

After providing for extra costs in the 1990-91 accounts, he says this year's set should be clean. On this basis, analysts are looking for a pre-tax profit of between £15m and £17m and earnings of about 6p, which would cover the promised 2p dividend three times.

On the rights issue price, this gives a prospective multiple of five and a near 9 per cent yield. A little speculative spice was added by one analyst who pointed out that a previous rights issues was followed by stake-building by a competitor.

NEWS DIGEST

Brent Walker loses appeal

BRENT WALKER has lost its appeal against a High Court ruling that it must pay Grand Metropolitan the final £50m instalment for its purchase of the William Hill and Mecca betting shop business.

Brent Walker agreed to buy William Hill in September 1989 for £685m. The final instalment should have been paid last September but Brent Walker refused to pay, contending that William Hill's trading profits were sufficiently below the £55m warranted by GrandMet to require a refund of part of the purchase price.

In February the High Court ruled that Brent Walker must pay the £50m, plus interest.

Yesterday two Appeal Court judges upheld the ruling and said they would give their reasons later.

Steady showing at Moorgate Trust

Despite a continued poor performance by smaller companies in the UK, the net asset value of Moorgate Investment Trust fell by just 1 per cent from 113.5p to 112.4p per share over the 12 months to May 31.

The figure compared with a fall of 6.8 per cent in the Hoare Govett Smaller Companies Index.

Net revenue improved to £1.56m (£1.45m) and earnings emerged at 5.59p, against an adjusted 5.19p last time. A final dividend of 3.8p is proposed, making 5.5p (5.1p) for the year.

Microgen declines by 4% to £4.3m

Microgen Holdings, the computer services group, reported pre-tax profit down from £4.53m to £4.33m in the half year ended April 30 1991, a reduction of 4 per cent.

However, stripping out the discontinued business of Microgen Equipment & Supplies and Imagen, the drop is 3 per cent.

Mr Patrick Barbour, chairman, said the profit performance of the group was not yet reflecting the potential of the Information Management Services which formed the basis of future strategy.

Rationalising acquisitions had led to exceptional costs of £162,000, including £126,000 rent and rates for vacated properties which were proving difficult to relet. If all buildings remained unlet there would be a further charge of £231,000 in the second half, and in a full year the wastage would amount to £500,000.

Acquisitions had produced a growth in income, but the impact of recession, meant that the group did not earn increased profits from the extra activity.

Turnover fell to £24.6m (£25.1m). Earnings were 7.2p (7.1p) and the interim dividend is again 2.2p.

General Cons net asset value at 172p

The net asset value of the split capital General Consolidated Investment Trust stood at 171.8p per capital share at the end of the six months to June 30 1991.

The figure represented a decline of some 24 per cent on nav at the same stage of 1990, but a rise of that amount from the 138p at the trust's year-end.

Net revenue attributable to income shareholders for the interim period dipped from £1.78m to £1.62m reflecting lower interest rates on the trust's cash deposits and reduced dividends from some of the smaller companies in its portfolio.

Earnings worked through at 4.48p (4.9p). The interim dividend is maintained at 4.3p.

80% growth gives Norbain £451,000

Norbain Electronics, a distributor of closed circuit television products for the security market, expanded pre-tax profits by 80 per cent, from £251,000 to £451,000, in the year to April 30.

The group was helped by the acquisition of SEE, which brought significant benefits in purchasing power and geographical spread.

Performance in continental Europe continued to improve steadily with the first of the distributors being appointed.

Turnover came to £14.5m (£11m). The security sector accounted for £12.1m (£6.96m) following the disposal of the technology division.

Earnings rose to 4.1p (2.4p); the dividend is held at 0.7p.

COMMODITIES AND AGRICULTURE

Gummer urges caution on 'flawed' reform plan

By David Blackwell

THE NEXT few months are going to be crucial for British and European agriculture as the proposed reforms to the European Community's Common Agricultural Policy are hammered out, Mr John Gummer, Agriculture Minister, said yesterday.

It was preferable to take time now and come up with a system that could be lived with for some years, rather than end up with something that would be regretted, Mr Gummer told a conference at Shuttleworth Agricultural College, Bedfordshire.

Mr Gummer welcomed the determination of Mr Ray MacSharry, the EC commissioner for agriculture, to reform the farm policy. But he argued that the proposals considered earlier this week by community farm ministers in Brussels were flawed in that they discriminated against larger farms. Mr MacSharry has made no secret of his desire to transfer the weight of EC subsidies away from large farms, which at present take up to 80 per cent, towards the smaller farms.

John Gummer: Protection of the environment "essential" to any reform

Mr Gummer also criticised the MacSharry plan as discriminating between northern and southern Europe, and against specialist farmers many of whom would try to avoid the rules.

"This discrimination against larger farmers would be bound to discourage the process of structural improvement; not only will it become unattractive to increase farm size beyond certain thresholds, but there would be every incentive to divide farms artificially to avoid the consequences of modulation."

Mr Gummer told the conference – sponsored by Farming News and the Midland Bank – that there were five essential elements needed to reform the CAP. Price support should be reduced for all commodities and producers; farmers should not be "compensated" just for being farmers; direct measures such as set-aside should be taken to cut production; some assistance should be given to vulnerable farmers in the form of direct aid; and special support should be given to farmers in less favoured areas.

Measures to protect the environment were essential to any reform, Mr Gummer said, and should not just be an extra item to be attached later as was the case under the MacSharry proposals.

Mr Brian Chamberlin, special agricultural envoy for New Zealand, claimed that all arguments about the shape of the CAP were fruitless, and called for market-led farming in Europe.

He had for many years heard European farm leaders defend the CAP on the basis that it was necessary to protect family farmers, especially those with small properties. Now Mr MacSharry had come up with proposals to favour small farmers the same farm leaders were saying big farms would be disadvantaged.

Mr Chamberlin firmly rejected suggestions that New Zealand's present farming problems were connected with its own abolition of subsidies. The problem arose from distortions in trade created by subsidies in other countries, he said, which explained why agriculture was at the top of the agenda of the General Agreement on Tariffs and Trade.

Mr Martin Jenkins, a tenant with 1,500 acres growing cereals, rape and beans in Lincolnshire, said his farm performed well above the EC average. But even under the subsidy regime it was making only £15 an acre profit, when a realistic return on capital employed would be more like £65 an acre.

European cereals lobby expects bigger harvest

THE EUROPEAN Community cereal growers' lobby, Coceral, estimates the 1991-92 cereals harvest at 166.8m tonnes for the 12 community members plus 10.9m tonnes for the former East Germany, reports Reuters from Brussels.

That would gives a total of 177.7m tonnes, which compares with the total of between 175m and 176m tonnes predicted by the EC Commission, according to published minutes from a meeting of Coceral's cereals consultative committee.

Last season's harvest, without the former East Germany, was finally put at 157.5m tonnes.

The area cultivated has risen from 33.4m in 1990-91 to 34.2m hectares (84.4m acres) this season.

The breakdown by cereal is as follows, with the previous season's in brackets: Soft wheat 75.68m tonnes (72.9m); durum wheat 9.3m tonnes (7.1m); barley 44.6m tonnes (45.7m); maize 27.4m tonnes (22m); rye 3.1m tonnes (3.3m); oats 4.4m tonnes (4.6m); sorghum 510,000 tonnes (450,000); and triticale 1.5m tonnes (1.1m).

Production of oilseeds including the former East Germany is estimated as follows: Colza about 7m tonnes (6.2m in 1990-91); sunflowerseed 4m tonnes (4.1m); and soyabeans 1.8m tonnes (2.1m).

Taking the commission estimate of 176m tonnes and adding a carry-over stock of 32m tonnes and probable imports of about 4m tonnes, brings projected total cereals availability to 210m-212m tonnes, the report says.

No increase is expected in consumption, which is provisionally forecast at about 140m tonnes, leaving 72m tonnes in storage or for export.

Assuming that exports remain at the same level as last year, 32m tonnes, that wouldleave 40m tonnes in storage, compared with the total 1990 figure of 32m tonnes.

"If we estimate trade stores at plus/minus 15m tonnes, as last year, then we may expect intervention [purchases] of 25m tonnes, a new record," Coceral says.

It adds that the EC commission says the trend of increasing production is being maintained, and possibilities of sales on the internal market are limited. Human consumption is stagnating, and consumption in the feeds sector is declining.

World market sales potential is also limited, the report says. "This development leads to an imbalance on the cereals market, and represents one of the reasons for the EC reform package," it adds.

Under the present system of so-called stabilisers, a harvest more than 160m tonnes will trigger a support price reduction of 3 per cent for the following season.

Bolivia – 'where the nuts come from'

The country may soon be beating Brazil at its own game, writes Christina Lamb

ASKING WHERE Brazil nuts come from is not such a daft question as it seems. Last year Bolivia produced 37 per cent of the world's Brazil nuts and hopes soon to overtake its giant neighbour as the world's largest exporter through a planned World Bank project to finance non-traditional agricultural exports.

Based on the highly successful Chile Export Foundation but with World Bank and Dutch government financing, the newly-created Bolivia Export Foundation aims to boost production of Brazil nuts along with four other agricultural products to compensate for the decline in income from the mining sector, which was badly hit by the 1985 tin market crash.

The $36m project will provide risk capital for small farmers to develop or expand agroprocessing facilities and offer them technology and marketing expertise to improve quality and competitiveness.

Mr Jan Mulder, consultant for the project, explains, "the two main problems for farmers in Bolivia are lack of credit and of export experience. Banks here demand excessive collateral and charge high rates and if the World Bank passed credits to development institutions these would not get to the farmers, so it decided instead to participate through venture capital".

The five products targetted for their high export potential are Brazil nuts, angora wool, flowers, cochineal and essential oils.

The foundation will operate as a private entity and plans to become self-supporting within five years, divesting projects as they become profitable and supporting new ones. A consultancy company will be contracted for these first five years to provide four foreign experts to manage the company and prepare Bolivian counterparts.

Although the project is not yet under way the last two years have already seen a dramatic growth in non-traditional agricultural exports to $294m (32 per cent of total exports) from $111m, giving Bolivia in 1989 and 1990 a substantial trade surplus for the first time since the start of the 1980s.

Although agriculture provides about 60 per cent of employment in the country Bolivia has only turned to it as a source of export income after mining income dropped, forcing it to look for other alternatives. With the help of generous aid programmes aimed at stamping out cultivation of coca leaf, wheat production has increased enormously, sugar and soyabean exports have more than doubled and farmers have begun growing new products such as flowers which they are exporting to the US. However the problems remain of marketing and Bolivia's reputation for unreliability.

This the foundation hopes to change by marketing products themselves. In the case of flowers a holding company will be created to set up joint ventures with existing flower growers to increase their capacity and find new buyers from neighbouring countries.

As well as marketing their produce and providing training the foundation hopes to save farmers money on inputs by bulk buying. In the case of angora wool, a company called Angobol will be set up with its own model production unit. Angobol will buy wool at guaranteed minimum prices, finance the expansion of 35 farmers a year from an average of between 200 and 500 rabbits to 1,500, and provide feed at low prices. It hopes to conclude a contract to supply a new thermal underwear factory.

A similar mechanism will be used for cochineal with a company established to finance cochineal production, purchase all production and market the end product.

The Brazil nut project will take the form of a joint venture with a local farmers' association in Riberalta in northern Bolivia to finance a new nut processing plant and increase harvests through construction of trails, building of storage sheds and development of nurseries. After market research in London the consultants believe there is a considerable "green market" for Amazonian Brazil nuts from Bolivia.

At present Bolivian Brazil nuts are shelled by women with nutcrackers, but even so the country has managed to increase its exports tenfold since 1985, last year earning $15.2m. The study found a huge potential for expansion as currently only around a quarter of nuts produced are collected and many of these are smuggled to Brazil. Bolivia now hopes to get cracking and overtake its neighbour, whose production is being reduced by deforestation.

South Africans seek price boost as coal sanctions end

With export tonnage limited the emphasis will be on improved returns, writes Gerard McCloskey

WHATEVER ELSE South Africa's coal exporters are expecting from a lifting of the US sanctions it is not a flood of orders from coastal electricity producers in the US. Once a significant source of coal for the Florida utility Gulf Power, South African coal producers are entering a very different market from the one from which they were excluded in 1986.

The last five years have seen the rocketing growth of exports from a much closer source of low cost coal – the mines of Colombia and Venezuela. In addition, today the spot market, which was once dominated by South Africa, is as much the province of those US producers that the big South African exporters once displaced on their home ground.

But if the lifting of sanctions will have no immediate effect on South African/US coal business it will make a lasting impact throughout the rest of the world. Purchasing coal from South Africa has once again become respectable.

Apart from the US's blocking of imports for the past five years – a measure that did not extend to the US's export of coking coal to South Africa's Iron and Steel Corporation – the only other significant boycott was that imposed by the Danish parliament. This looks set to remain at least into 1992 following the parliament's re-affirmation of its sanctions stance, thus thwarting an attempt by the Danish government to have them dropped.

Already the Japanese power companies are shifting their stance and are increasing liftings from Total, Gencor and Amcoal. It is expected that the Korean state power company, Kepco, will follow suit.

In Europe attention will focus on Electricite de France, at present a big buyer on the spot market, and on the UK. The French have an informal understanding that they will not import from South Africa, though this was never enacted into law in the same way that it was in Denmark. Nor has it been rigorously enforced.

Indonesia and Japan have reached agreement on an $8m project to explore for coal in West Sumatra, reports Reuters from Jakarta.

The agreement was signed on Tuesday by Mr Kosim Gandataruna, Director General for General Mining, and Mr Motohiro Kurata, executive director of the New Energy and Industrial Technology Development Organisation of Japan's Ministry of International Trade and Industry (Miti).

Under the agreement, Japan will provide $6m in technical assistance for coal exploration in Ombilin, 950 km (590 miles) north-west of Jakarta, until 1995.

Indonesia produced 11.20m tonnes of coal in the 1989 fiscal year and hopes to increase production in 1991 to 14m tonnes.

The country's coal exports, mostly to Japan, Hong Kong, Taiwan, Malaysia, the Philippines, totalled 4.78m tonnes in 1989 and are expected to reach 6m to 7m tonnes in the current fiscal year.

Most coal traders believe that it will be only a matter of months before Britain's three big coal-consuming electricity producers – PowerGen, National Power and Scottish Power – follow the lead of the smallest, Northern Ireland Electricity and take their first South African cargoes. National Power has already despatched Mr John Jump, former head of BP Coal, on a confidential fact-finding mission to the South African mining houses to help formulate its purchasing strategy.

No South African coal has been openly burned in mainland power stations, but a considerable amount has been blended with privately-mined British coal and sold as such. Doubts remain, however, over its suitability for British power stations because of the low volatility of most South African coals.

With only limited excess tonnage available, the main South African push will be towards getting better prices in existing markets, rather than simply lifting tonnage throughput at its coal export terminal at Richards Bay. Although the second half of the 1980s saw weak prices for all coal exports, it was the South African producers, seeking to find new buyers for the tonnages displaced from the Danish, French and US markets, that suffered most. As a consequence a large gap now exists in many markets between prices paid for South African coal and competitor fuels.

The most stark difference is in the Italian market where US$47 fob is paid for US tonnage by the state electricity producer ENEL and just US$36.01 for identical quality South African coal. (The South African price is US$32.15 but it is geared to a different calorific value from that of the US coal.)

More than anything else it is this kind of sanctions-linked penalty that the South Africans are determined to eliminate – a determination that should see bear its first fruits this autumn when contract negotiations commence for 1992 supplies.

What the South African producers also seem determined to avoid is the hurly-burly of the industrial spot market in order to move their coals. This market is currently dominated by cheap US and Soviet coals. The US producers are seeking overseas buyers to compensate for the depressed state of the US internal market while the Soviet mines are trying to make up lost ground following the end of the spring strikes.

The Johannesburg stock exchange has been anticipating an upturn in the fortunes of the coal companies as a result of the scrapping of sanctions throughout the year. Its coal share index has shot to 3,915 this week from a low of 2,538 set a year ago.

● UK steam coal imports, largely for power stations, increased from 1m tonnes to 3.2m tonnes in the first four months of 1991, according to Customs data.

Mexican copper mine strike settled

A STRIKE in the concentrating section of Mexico's largest copper mine, Mexicana de Cananea, has ended and full production was due to resume yesterday, Mr Eduardo Forcada, the general manager said, reports Reuters from Mexico City.

"Today the strike was lifted. They have begun to hand over the installations, later we will begin to ignite some plants and tomorrow we will be producing at 100 per cent," Mr Forcada said in Cananea, northern Mexico.

He said the 46-day dispute was settled without concessions to the strikers.

The 530 striking workers had been protesting over shifts and what they said was mistreatment by company officials. Mr Forcada said that at least 40 workers would lose their jobs as direct a result of joining the strike.

He said the strike had cost 35,000 tonnes in copper concentrate production and an estimated $500,000 a day in lost earnings.

WORLD COMMODITIES PRICES

MARKET REPORT

NEWS THAT workers had gone on strike at Impala's Bafokeng South platinum mine in South Africa for the second time this month boosted the price of the white metal in the morning. But profit-taking trimmed the advance later in the day and the price ended only $2.40 up at $380.40 a troy ounce. The previous strike at the mine was on July 4 and lasted little more than a day. The present stoppage appeared to have been sparked off by recent disciplinary action taken against an employee who had allegedly been involved in acts of intimidation, the management said. At the London Metal Exchange conditions were very quiet, with the cash copper price closing unchanged on the day. But dealers said the market ended with a steady tone and was poised to test overhead resistance following Tuesday's £17.50 advance. By the close the nickel market had eliminated the cash premium over three months metal, which had ended on Tuesday at $42.50 a tonne. But with sentiment still influenced by tightness for August delivery the three months price eased back in after-hours trading. At the London Futures and Options Exchange cocoa and coffee prices ended a little higher in thin trading, despite sterling's strength against the US dollar.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.50-6.65	
Brent Blend (dated)	$19.90-20.05	+.125
Brent Blend (Sep)	$19.90-9.95	+0.60
W.T.I. (1 pm est)	$21.73-1.77	+0.75
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$241-243	
Gas Oil	$190-191	
Heavy Fuel Oil	$73-75	+2
Naphtha	$193-194	+4.0
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$368.95	+0.15
Silver (per troy oz)♣	442.0c	+3.0
Platinum (per troy oz)	$380.40	+0.40
Palladium (per troy oz)	$94.90	-0.20
Aluminium (free market)	$1845	
Copper (US Producer)	102.725	-.025
Lead (US Producer)	50c	
Nickel (free market)	-	
Tin (Kuala Lumpur market)	15.39r	
Tin (New York)	283c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.81p	-0.65*
Sheep (dead weight)†	120.61p	+3.13*
Pigs (live weight)†	64.85p	-1.41*
London daily sugar (raw)	$275x	-1
London daily sugar (white)	$317.5x	-0.5
Tate and Lyle export price	£278	-0.5
Barley (English feed)	109.5z	
Maize (US No. 3 yellow)	£161.5	
Wheat (US Dark Northern)	-	
Rubber (Aug)♥	53.75p	
Rubber (Sep)♥	54.75p	+0.50
Rubber (KL RSS No 1 Aug)	228.5m	+0.5
Coconut oil (Philippines)§	$450y	-20
Palm Oil (Malaysian)§	$335q	-5
Copra (Philippines)§	$295z	-5
Soyabeans (US)	£157	+4
Cotton "A" Index	80.30c	+0.10
Wooltops (64s Super)	387p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Dec t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX (\$ per tonne)

Raw	Close	Previous	High/Low
Aug	230.40	240.00	231.00 229.00
Oct	201.00	200.60	201.40 198.40
Dec	193.00	194.60	188.40 188.00
Mar	190.00	189.60	189.60 188.20
May	191.60	192.60	191.20 189.80
Aug	195.60	196.60	194.60
Oct	199.00	198.60	198.00
White	**Close**	**Previous**	**High/Low**
Oct	276.6	274.5	279.9 274.0
Dec	268.7	265.9	268.7 266.0
Mar	268.6	266.4	269.0 268.5
May	271.0	269.0	269.0 268.2

Turnover: Raw 643 (976) lots of 50 tonnes. White 652 (3883)
Paris- White (FFr per tonne): Oct 1679 Dec 1625

CRUDE OIL – IPE (\$/barrel)

	Latest	Previous	High/Low
Sep	20.00	19.72	20.02 19.74
Oct	19.91	19.66	19.94 19.68
Nov	19.74	19.65	19.77 19.67
Dec	19.64	19.54	19.74 19.53
Apr	19.20		19.20 19.15
May	19.05		19.05
IPE Index	19.81	19.69	19.81

Turnover 20259 (23456)

GAS OIL – IPE (\$/tonne)

	Close	Previous	High/Low
Aug	186.75	186.50	187.25 185.50
Sep	187.50	187.25	187.75 186.25
Oct	188.50	188.75	188.50 187.50
Nov	189.50	190.00	189.50 188.50
Dec	190.00	190.50	190.00 187.00
Jan	186.00	186.50	187.00
Feb	180.00		180.00
Mar	177.00	179.75	176.00
Apr	173.75		174.00 173.00

Turnover 19128 (18006) lots of 100 tonnes

WOOL

Occasional buying interest is indicated in wool consuming markets where holidays do not involve a complete shut-down. The general report is of continued quietness but even isolated follow-on orders can help a lot. No wool sales are being held, of course, and without an auction room guide prices depend on the individual firms stock position and eagerness to sell. There has been a slight easing after a hesitant close to the selling season in Australia. The wool realisation Commission in Australia sold over 42,000 bales in it first week, by-passing the auction room.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	586	582	584 584
Sep	607	604	608 599
Dec	645	641	648 640
Mar	682	680	684 677
May	703	703	706 702
Jul	726	724	728 723
Sep	745	744	745 740

Turnover: 3823 (4286) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 16 780.39 (784.04) 10 day average for Jul 17 763.86 (764.77)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	537	535	536 538
Sep	557	553	558 554
Nov	577	572	578 574
Jan	592	591	595 591
Mar	608	604	609 603

Turnover:3165 (2113) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul.16 : Comp. daily 64.04 (64.19). 15 day average 65.23 (65.32)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	109.8	111.4	111.1 109.1

Turnover 88 (134) lots of 40 tonnes.

SOYABEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	133.00	129.50	133.00

Turnover 25 (20) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jul	1515	1510	1525 1510
Aug	1518	1515	1535 1520
Oct	1598	1600	1625 1598
Jan	1600	1598	1620 1600
BFI	1529	1537	1529

Turnover 264 (178)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Sep	112.05	111.75	111.90
Nov	115.30	115.10	115.30
Jan	118.90		118.60
Mar	122.20	122.00	122.25
May	125.25	125.25	125.35 125.15
Barley	**Close**	**Previous**	**High/Low**
Sep	109.85	109.65	109.85 109.65
Nov	113.65	113.40	113.65 113.40
Jan	117.25		117.25 117.00
Mar	119.55		119.25

Turnover: Wheat 103 (95), Barley 79 (24).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	90.0	90.5	90.0
Aug	89.0	89.0	87.5
Sep	94.0	94.0	99.0
Oct	95.5	96.5	96.5 95.0
Nov	96.0	96.7	96.0
Jan	95.0	98.0	97.4 93.0

Turnover:39 (37) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	139.77	139.92			
Jul	141.20	140.90	141.70	141.30	85
Sep	141.70	141.40	142.00	141.70	85
Dec	142.30	141.40	142.50	142.30	80
Mar	142.70		142.70		15

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,756 lots
Cash	1310-2	1306-7	1304/1303	1302-3		
3 months	1343-4	1339-40	1344/1336	1335-6	1341-2	96,072lots
Copper, Grade A (£ per tonne)						Total daily turnover 31,097 lots
Cash	1340-2	1340-2	1346	1345-6		
3 months	1355-6	1354-5	1359.5/1354	1358.5-9	1358-57.5	125,682lots
Lead (£ per tonne)						Total daily turnover 5,227 lots
Cash	328-9	329-31	329.5/329	329.5-30		
3 months	338-8.25	339-40	339/338.5	338.5-9.0	338-8.5	31,258lots
Nickel ($ per tonne)						Total daily turnover 1,548 lots
Cash	8625-30	8610-20		8625-30		
3 months	8580-90	8570-75	8625/8561	8590-600	8560-70	12,995lots
Tin ($ per tonne)						Total daily turnover 1,872 lots
Cash	5660-70	5645-55	5660/5650	5650-55		
3 months	5765-80	5735-40	5760-5750	5750-55	5755-65	6,949lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,322 lots
Cash	1061-3	1059-61	1061/1060	1059-60		
3 months	1074-6	1073-4	1080/1074	1073-4	1074-5	26,953lots

LME Closing £/$ rate:
SPOT: 1.6525 3 months: 1.6332 6 months: 1.6185 9 months: 1.6062

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	368.70-369.20	
Opening	368.75-369.15	
Morning fix	369.20	224.301
Afternoon fix	368.90	223.40
Day's high	369.50-369.90	
Day's low	368.60-368.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.47	6 months	5.40
2 months	5.45	12 months	5.39
3 months	5.45		

Silver fix	p/fine oz	US cts equiv
Spot	267.95	440.25
3 months	275.20	446.85
6 months	282.13	453.90
12 months	292.22	470.10

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	369.00-370.00	223.50-224.00
Maple leaf	377.00-378.00	228.25-228.75
New Sovereign	89.00-90.00	54.00-54.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price \$ tonne	Sep	Dec	Sep	Dec
1250	90	130	7	18
1350	27	67	43	63
1450	4	29	119	118
Copper (Grade A)	**Calls**		**Puts**	
2100	137	143	14	51
2200	69	89	45	95
2300	28	52	109	155
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	57		1	
550	19	44	13	18
600	4	20	49	34
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	39		7	
650	22		15	
675	12	48	30	28
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1900	99		14	31
1950	64	60	27	57
2000	37	52	51	

New York

GOLD 100 troy oz.; \$/troy oz.

	Close	Previous	High/Low	
Jul	369.7	368.9	369.7	369.1
Aug	370.5	369.8	370.8	369.6
Sep	372.2	371.5	372.2	372.2
Oct	374.1	373.4	374.3	373.3
Dec	377.5	376.9	377.9	376.7
Feb	381.2	380.5	381.0	380.6
Apr	384.6	383.9	384.8	384.3
Jun	388.1	3387.4	0	0
Aug	391.7	391.0	0	0

PLATINUM 50 troy oz; \$/troy oz.

	Close	Previous	High/Low	
Jul	380.3	378.0	380.9	380.9
Oct	384.8	382.5	387.9	383.9
Jan	388.8	386.7	391.3	388.0
Apr	392.5	390.4	0	0
Jul	396.3	394.2	399.5	399.5
Oct	402.8	400.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	441.2	436.7	440.0	438.0
Aug	441.8	437.3	0	0
Sep	444.8	440.3	445.0	441.0
Dec	452.5	448.0	453.0	449.0
Jan	454.4	449.8	0	0
Mar	460.7	456.1	459.0	458.0
May	466.4	461.7	465.0	464.0
Jul	472.2	467.3	0	0
Sep	478.4	473.4	0	0
Dec	488.0	482.9	485.0	482.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	99.15	98.65	99.60	98.70
Aug	99.20	98.65	99.60	99.20
Sep	99.20	98.65	99.75	98.70
Oct	98.90	98.35	0	0
Nov	98.60	98.05	0	0
Dec	98.20	97.75	98.60	97.75
Jan	97.90	97.35	97.80	97.80
Feb	97.50	96.95	0	0
Mar	97.10	96.55	97.30	97.20
Apr	96.75	96.15	0	0

CRUDE OIL (Light) 42,000 US galls \$/barrel

	Latest	Previous	High/Low	
Aug	21.97	21.65	21.99	21.66
Sep	21.84	21.51	21.86	21.50
Oct	21.60	21.34	21.62	21.33
Nov	21.42	21.19	21.45	21.20
Jan	21.09	20.89	21.10	20.89
Feb	20.90	20.74	20.90	20.75
Apr	20.60	20.49	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5955	5923	5960	5860
Sep	6040	6020	6055	5965
Oct	6135	6120	6135	6060
Nov	6230	6219	6235	6160
Jan	6320	6304	6325	6250
Feb	6155	6154	6165	6110
Mar	5880	5889	5880	5865
Apr	5650	5669	5655	5630

COCOA 10 tonnes;\$/tonnes

	Close	Previous	High/Low	
Sep	936	927	943	925
Dec	990	981	993	981
Mar	1041	1030	1045	1030
May	1070	1058	1065	1060
Jul	1098	1087	1098	1090
Sep	1127	1110	1120	1110
Dec	1166	1152	0	0
Mar	1196	1182	0	0
May	1235	1214	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	82.55	81.65	83.00	81.75
Sep	84.15	83.10	84.35	83.00
Dec	87.70	86.65	87.75	86.50
Mar	90.80	89.85	90.80	89.80
May	93.65	92.50	92.50	92.50
Jul	96.15	96.05	95.50	95.00
Sep	99.15	97.15	97.50	97.50
Dec	102.00	100.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.91	8.81	8.95	8.78
Mar	8.59	8.52	8.61	8.47
May	8.65	8.59	8.65	8.54
Jul	8.66	8.69	8.67	8.62
Oct	8.78	8.78	8.79	8.79

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	71.23	70.73	71.40	70.00
Dec	70.32	71.63	70.50	69.46
Mar	71.60	72.05	71.70	70.85
May	72.50	69.15	72.50	71.75
Jul	73.33	68.00	73.40	72.20
Oct	69.03	0	69.50	68.95

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	118.60	119.25	119.25	118.00
Sep	118.60	118.90	119.00	118.00
Nov	118.00	118.05	118.55	119.00
Jan	117.75	117.75	118.00	117.75
Mar	118.35	118.10	118.10	118.05
Jul	118.85	118.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 17	July 16	mnth ago	yr ago
1715.7	1710.9	1778.2	1806.8

DOW JONES (Base: Dec. 31 1974 = 100)

	July.16	July 15	mnth ago	yr ago
Spot	124.99	124.07	130.80	132.28
Futures	123.13	122.37	126.98	131.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	538/6	547/4	550/0	537/4
Aug	535/6	543/4	547/6	535/0
Sep	536/4	544/2	545/4	536/0
Nov	541/4	549/0	553/4	541/0
Jan	552/0	557/6	562/4	551/4
Mar	562/0	569/0	572/4	562/0
May	570/0	577/4	581/0	570/0
Jul	577/0	580/4	586/4	577/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	18.82	18.85	19.12	18.78
Aug	18.81	18.84	19.20	18.78
Sep	18.98	19.02	19.39	18.97
Oct	19.17	19.21	19.57	19.12
Dec	19.53	19.67	19.95	19.51
Jan	19.69	19.85	20.10	19.68
Mar	20.01	20.10	20.35	20.01
May	20.21	20.17	20.50	20.21
Jul	20.31	20.15	20.90	20.31

SOYABEAN MEAL 100 tons; \$/ton

	Close	Previous	High/Low	
Jul	166.0	167.6	169.5	166.0
Aug	166.1	168.1	169.3	166.0
Sep	165.7	168.0	168.6	165.5
Oct	165.5	167.5	168.3	165.5
Dec	166.1	168.8	169.0	165.9
Jan	166.8	169.6	169.8	166.8
Mar	169.5	171.5	171.5	169.5
May	171.0	173.5	171.5	171.0
Jul	172.0	174.5	173.5	171.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	244/2	247/0	251/0	243/4
Sep	238/6	238/0	244/4	237/6
Dec	240/6	239/2	245/4	239/4
Mar	248/6	246/4	252/6	245/0
May	252/6	251/0	256/2	252/0
Jul	257/0	255/4	259/4	255/4
Sep	249/0	248/0	250/0	249/0
Dec	248/4	246/0	250/0	246/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	271/4	270/0	274/0	267/4
Sep	276/0	274/4	281/0	273/0
Dec	287/6	287/6	293/0	285/0
Mar	292/6	291/0	296/4	291/0
May	290/4	290/0	298/0	287/0
Jul	286/4	284/0	289/4	285/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.87	73.80	73.90	73.45
Oct	75.17	75.45	75.35	74.85
Dec	75.85	76.10	75.95	75.45
Feb	75.10	75.30	75.20	74.75
Apr	75.45	75.67	75.60	75.30
Jun	73.57	73.77	73.80	73.40
Aug	72.00	72.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	57.45	57.10	57.80	57.15
Aug	51.50	51.37	51.90	51.20
Oct	44.25	44.55	44.77	44.02
Dec	43.75	44.35	44.65	43.60
Feb	44.10	44.35	44.60	44.10
Apr	42.47	42.60	42.75	42.40
Jun	46.65	46.80	47.05	46.65
Jul	46.75	46.50	46.67	46.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	47.35	45.35	47.35	46.20
Aug	45.47	43.62	45.62	44.80
Feb	48.90	48.45	49.20	48.20
Mar	48.55	48.10	48.70	47.80
May	48.60	48.90	49.20	48.60

LONDON STOCK EXCHANGE

Equities stand up to selling pressure

By Terry Byland, UK Stock Market Editor

A LARGE trading programme involving some selling pressures failed to dent confidence in the UK stock market yesterday. Encouraged by a strong opening on Wall Street, London closed at a new peak on the FT-SE Index.

Earlier, the market had traced an erratic pattern as blue chip equities were influenced both by the futures markets and by the trading programme, which was operated by Smith New Court, the aggressive London market-making firm.

Smith acknowledged that it had carried out a substantial programme involving both sell and buy operations. The market believed the programme was worth about £250m and that, while the sell side was easily taken up, the marketmaker found difficulty in fulfilling the much smaller buy side of the deal.

Account Dealing Dates		
*First Dealings:		
Jul 1	Jul 15	Jul 29
Option Declarations:		
Jul 11	Jul 25	Aug 8
Last Dealings:		
Jul 12	Jul 26	Aug 9
Account Day:		
Jul 22	Aug 5	Aug 19

*New-time dealings may take place from 8.30 am two business days earlier.

After opening lower, in the face of falls in Tokyo and New York overnight, UK stocks once again responded to a strong opening in the stock futures, where the September contract on the FT-SE Index moved to a good premium against fair value. The cash market quickly turned higher, showing a net gain of 4 Footsie points, until it was pushed back on to the bear tack by hints that a sell programme was in the offing.

The downward slide took the Footsie Index down by 11.6, at which level it was around five points below the FT-SE 2,550 mark, which had been identified as the top end of the trading range of recent months.

The fall was reduced as Wall Street opened, albeit on an uncertain note initially. But, with the Dow 11 points up and within five points of the 3,000 mark in UK trading hours, London closed in positive territory. The mood was helped also by the completion of the trading programme.

At the close, the FT-SE Index was 4.2 up at 2,561, a shade off the top but at a new closing high. Seaq-reported volume was moderate until the trading programme was reported, when the day's total jumped to 575.4m shares against Tuesday's 495.2m.

Wall Street's renewed advance on the Dow 3,000 mark, which has already proved a stopping point twice this year, was a significant encouragement to London's hopes of finally breaking clear of its own trading range of FT-SE 2,450 – 2,550. This range has been held for the past three months.

Confidence that the recession in world economies is bottoming out was sustained despite some mild disappointment with yesterday's data on US earnings and consumer prices. Nor was the expectation that the UK economy will follow suit restrained by comments from Mr Norman Lamont, the UK Chancellor of the Exchequer, that the recovery is not yet under way in Britain, though he still expects it to come in the second half of the year.

The market's resilience in the face of programmed selling was regarded as a significant sign of confidence. However, there were warnings that the London market could yet be in for disappointment over the timing of further base rate cuts or of the next general election.

Institutional interest in equities increased yesterday, but once again, the big funds were finding their stock either by taking up the shares on offer from the trading programme or by participating in switching deals arranged by brokerage houses.

Heavy trading in BP

A determined late run by BP drove the shares up to a closing level of 355p, up 6 on the day, with turnover reaching a hefty 7.8m. The impetus behind the stock came from across the Atlantic, where at least one of the big UK brokerages – Bear Stearns – was said to be pushing the shares.

The US support for BP followed another steep rise in Triton Energy, the US-based oil company on its Colombian oil interests; BP has a stake in the field. Triton's shares have risen this year from just below the $4 mark to $33 at one point yesterday. At the end of last week Triton were trading at $20 a share. Driving the Triton share price higher is its 24 per cent stake in the Colombian oil discovery confirmed recently by BP and Total, each with 38 per cent stakes.

At a presentation last week, Mr John Browne, BP's exploration director, indicated to oil analysts that the field could contain around 2bn to 3bn barrels of oil. A big presentation to US analysts and institutions is planned for next Monday.

One specialist said that American investors had been getting more excited by the day by the Colombian discovery: "estimates of reserves are growing by the day," he added.

Central TV strong

Shares in television contractor Central Independent TV surged on a news report that the company had kept its franchise with a bid of less than £1m. The price advanced on talk that the company's earnings per share could reach 90p by 1993, compared with less than 45p last year. Analysts said that the consensus market rating for 1993 was about ten times earnings, pointing to an eventual £9 share price for Central. Its value last night was 745p, up 117p on the day.

Television services supplier Carlton Communications, which owns almost 20 per cent of Central TV, was dragged 17 higher to 478p. Scottish TV, whose low uncontested franchise bid was revealed recently, firmed another 34 to 449p. It has risen 104p since July 9 to reach new highs.

Food stocks fall

Speculation that Philip Morris, the US food and tobacco group, is considering a bid for Heineken, the Dutch brewer, took the steam out of bidding in the UK food sector, depressing both Cadbury Schweppes and United Biscuits.

The two UK food stocks have been boosted in recent weeks on talk that one of them might be the target for Philip Morris' next bid in Europe. Last year Morris paid £2.2bn for Jacobs Suchard, the Swiss confectioner. However, disappointed by the hints from the Dutch market, Cadbury fell 5 yesterday to 377p, while UB dropped 5 to 377p.

Cadbury and UB were further depressed by a sell recommendation from Nomura. Mr Carl Short of Nomura said the shares had risen too far too quickly on the Philip Morris bid speculation and advised investors to take profits.

Banks and insurances were heavily represented in the day's programme trade activity. Banks gave another powerful performance, responding to yet more broker buy recommendations.

Smith New Court issued a substantial review of the UK banks suggesting they are well placed to benefit from a major structural upheaval. Smith's banks team highlighted increased margins and fees, cost cutting and more careful husbandry of capital as examples of how banks were helping themselves, but also detailed an expected aggregate decline of 57 per cent in pre-tax profits for the half-year and an estimated 72 per cent jump in bad debt provisions to £2.56bn.

Smith expects Barclays and NatWest to maintain their dividends and predicts increases of 10 per cent and 8 per cent at Abbey National and Lloyds. Midland is expected to pay the same amount as last year's final. Abbey, Bank of Scotland and Barclays are Smith's main buys in the sector.

Abbey National, responding to the Smith note and general appreciation of its strengths of secure earnings and dividends, moved up 6 to 298p. Barclays rose 6 to 468p, Midland 6 to 200p and Lloyds 4 to 353p. TSB added 1½ to 145p. Big lines of TSB (3.5m), NatWest (1m) and Barclays (2.2m) were included in the programme.

Insurance broker Sedgwick edged up 2 to 273p with heavy turnover of 9.6m mostly made up by programme activity, which was thought to have accounted for 9m of trade carried out.

Legal & General lost 9 to 415p on 2.4m, depressed by the half-year new business figures.

Guinness Mahon were marked up 15 to 45p after Bank of Yokohama announced a cash offer for the 13.3 per cent not already owned.

The day's big programme trade included a sprinkling of oil stocks. Clyde Petroleum featured as trades of 2m and 1m, both at 110½p, were followed by one of 6.2m shares at 109¼p. The big lines were said to have been easily absorbed, with sentiment given a big boost by the presentation to the London Oil Analysts Group on Tuesday evening.

Recent buy recommendations and the shift in tax treatment regarding the Colombia field gave another push to Lasmo, which ended the day a further 6 higher at 350p.

A downgrading from James Capel took the shine off Bat Industries. Mr Paul Beaufrere said the stock's good performance in recent weeks meant a downward correction was likely. He said the yield had fallen to 5.4 per cent – which is an 18-month low – compared with 6.6 per cent in the composite insurance sector. Bats is often compared with this because it owns Eagle Star. Its shares fell 7 to 758p.

South Wales Electricity held at 251p but very heavy turnover of 3.9m led to suspicions that a stakebuilder may have been operating. Welsh Water, 5 higher at 365p, acquired an initial 9.9 per cent stake in South Wales, increasing this recently to 14.9 per cent.

Argyll rose 6 to 313p on further support since its positive annual general meeting statement earlier in the week.

Sainsbury advanced 7 to 376p as Kleinwort Benson issued a positive report on the food retailer. The £489m rights issue last month has strengthened Sainsbury's balance sheet and by the end of this year its gearing will be the same as Tesco, its main supermarket rival. But the shares have been trading near their lows relative to Tesco and Argyll, and Kleinwort recommended investors to buy.

County NatWest underlined its bearish view of the hotels sector by cutting profits forecasts for Ladbroke, Forte and Queens Moat Houses. The current year figure for Ladbroke is reduced by £20m to £230m, for Forte by £32m to £128m and for QMH by £10½m to £80½m.

The damage done to Forte's shares was limited by County moving it from a sell to a hold. The broker said its earnings from consumers would partly shield it from falling corporate spending. The stock was also squeezed higher by the programme trade and the combination pushed the price up 4 to 250p on turnover of 11m, making it the busiest day's trade since early 1989. QMH slipped 2 to 79p and Ladbroke eased 2 to 250p.

Comment on Maxwell Communication's plans to demerge its US businesses left the shares 5 lower at 185p, having bottomed at 180p. Mirror Group, controlled by Mr Robert Maxwell, recovered from early weakness to add a penny at 93p.

Continuing doubts over the refinancing of Brent Walker took 2½ off the shares to leave them at 26p.

The big programme trade caught property dealers short of Land Securities. The shares were squeezed 7 higher to 489p as turnover climbed to 4.3m, making it the busiest day's trade in the stock for five months.

Howden Group gave up 6 to 40p after the company announced a long anticipated rights issue. The company which recently announced fall in profits is making a one-for-one rights issue at 30p a share to raise £30.6m.

Buy recommendations from UBS Phillips & Drew and Panmure Gordon earlier in the week lifted IMI 9 to 250p.

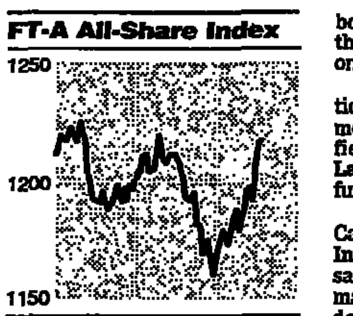
A combination of the squeeze and the return of bid speculation sent Hawker Siddeley racing ahead late in the session. The shares ending 26 up at 560p. Turnover was 833,000 shares.

Mr Angelos Anastasiou at Panmure Gordon believes a bid for Hawker Siddeley is feasible. "It is a question of who can unlock the value quicker and more efficiently between the investing management or potential bidder," he said.

MARKET REPORTERS:
Daniel Green, Jim McCallum, Joel Kibazo, Steve Thompson

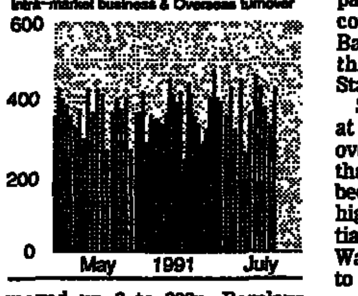
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (58).
BRITISH FUNDS (3) Treas. 8pc 1992, Treas. 10pc 1992, Treas. 2pc I-L 1992, AMERICANS (2) Morris (Philip), Rep NY, BANKS (2) Abbey National, Warburg (S.G.) 8pc Pf., BREWERS (1) Scottish & Newcastle, CHEMICALS (2) Halstead (J), Ransom (Wm), STORES (2) Smith (W.H.) A, Stirling, ELECTRICALS (8) Ambassador Security, Electronic Data, Hoskyns, Life Sciences, Microfilm Reprographics, FOODS (3) Argyll, Hazlewood, Shoprite, INDUSTRIALS (12) Betterware Cons. Prods., Brit. Polythene Inds., China Light, De La Rue, ECC, Inchcape, Johnson Cleaners, Scapa, Shanks & McEwan, Toye, Wellcome, Worthington (A.J.), LEISURE (3) Central ITV, Radio City A, Scottish TV, MOTORS (1) Sanderson Murray Elder, NEWSPAPERS (2) Blenheim, Johnston Press, PAPERS (1) Arjo Wiggins Appleton, PROPERTY (1) Slough Ests. 8¼p Pf., TOBACCOS (1) Rothmans B, TRANSPORT (1) Mayne Nickless, TRUSTS (11) American Tst., Baillie Gifford Shin Nippon, Bankers Inv., Brit. Assets Tl. 2005, GT Chile Fd. Units, Do. Warrants, Genesis Chile Fd. Ptg., River & Merc. Amer. Inc., Do. Stepd. Pf., Scot. Nat. Zero Div. Pf., Sec. Alliance, OILS (2) British Gas, Total B, MINES (3) CRA, Delta Gold, Emperor Mines.
NEW LOWS (28).
BANKS (1) Reflex Invs., BUILDINGS (2) Bellwinch, Hewetson 7pc Pf., CHEMICALS (1) Novalal, ELECTRICALS (1) Ferranti, ENGINEERING (1) Wellman, INDUSTRIALS (8) Doctus, GR, Photo-Me, Stormgard, Wyndham, PROPERTY (5) Arcadian, Derwent Valley, Helical Bar, McInerney, Mountleigh, TRUSTS (8) Ensign, Do. B, Govett Amer. Endeavour, Jove, M & G 2nd Dual Inc., Malaysian Emrg. Warrants Co's. Fd., Merlin Intl. Green, Nth. Amer. Gas Warrants, OILS (4) Bula Res., Edinburgh Oil & Gas, Gaelic Res., Hardy Oil & Gas.

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 15	July 12	July 11	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.90	84.86	84.80	84.78	84.92	79.36	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.77	93.77	93.83	93.79	93.83	87.99	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1978.6	1971.4	1951.1	1925.7	1928.4	1900.6	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	212.4	212.9	214.2	214.0	222.8	179.4	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2561.0	2556.8	2532.5	2497.4	2510.5	2402.0	2561.0 (17/7)	2054.8 (16/1)	2561.0 (17/7/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1162.25	1169.24	1160.07	1152.84	1155.96	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.79	4.80	4.85	4.91	4.89	4.88				
●Earning Yld %(full)	8.41	8.43	4.52	8.62	8.59	10.74				
●P/E Ratio(Net)(☆)	14.62	14.59	14.42	14.26	14.32	11.29				
SEAQ Bargns 4.45pm	29,782	31,262	24,252	31,213	30,475	28,634				
Equity Turnover(£m)†	-	1044.72	720.47	809.58	1032.29	1735.39				
Equity Bargains†	-	31,151	24,088	31,827	29,046	32,920				
Shares Traded (ml)†	-	428.1	329.4	378.3	434.3	674.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 14.01

Ordinary Share Index, Hourly changes Day's High 1978.6 Day's Low 1964.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1967.1	1973.4	1973.0	1967.9	1967.3	1965.7	1965.0	1967.5	1976.2

FT-SE 100, Hourly changes Day's High 2561.6 Day's Low 2545.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2550.3	2557.7	2558.1	2550.7	2549.9	2547.5	2546.4	2549.9	2558.0

FT-SE Eurotrack 200, Hourly changes Day's High 1164.29 Day's Low 1157.62

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1164.29	1164.14	1161.40	1161.41	1160.15	1160.41	1161.80

GILT EDGED ACTIVITY

Indices*	July 16	July 15
Gilt Edged Bargains	95.4	87.6
5–Day average	94.0	92.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	187	620	-3	Courtaulds	618	438	+1	MB Caradon	582	280	+3	Severn Trent Water	1,000	328	+4
ASDA Group	1,200	94	+½	Dalgety	239	397	+6	MEPC	385	445	+4	Shell Transport	5,500	538	+2
Abbey National	2,100	296	+6	De La Rue	81	416	+3	Manweb	818	252	+1	Siebe	123	472	+3
Albert Fisher	3,400	115		Dixons	1,400	214		Marks & Spencer	5,100	288	-2	Slough Ests	482	245	+2
Allied-Lyons	1,100	659½	+2½	ECC Group	1,100	454	+9	Maxwell Comms.	6,000	185	-5	Smith (W.H.) A	1,200	424	+11
Amstrad	757	49	+½	Eastern Elect.	620	182	-3	Midland Bank	1,300	200	+6	Smith & Nephew	1,400	132	-½
Anglian Water	410	382	+3	East Midland Elect.	485	186	-2	Midlands Elect.	495	201	-4	SmKl Beecham	1,900	628½	+½
Argos	1,900	318	-3	Enterprise Oil	763	538	-2	NatWest Bank	4,700	328	+1	SmKl Beecham Uts.	184	555	+5
Argyll Group	4,400	313	+6	Eurotunnel Units	187	460	-4	National Power	3,300	149	-1	Smiths Inds.	121	348	
Arjo Wiggins	701	273	+2	FKI	3,000	82		Next	382	28½		Southern Elect.	72	195	-2
Ass. Brit. Foods	694	617	+3	Ferranti	3,000	8½		North West Water	1,000	350	+2	South Wales Elect.	3,800	251	
BAA	922	423	-3	Fisons	3,200	510	-3	Northern Elect.	312	212	-2	South West Water	9	345	+1
BAT Inds.	1,900	758	-7	Forte	11,000	250	+4	Northern Foods	912	470		South West. Elect.	57	198	-2
BET	1,400	186		Gen. Accident	1,200	530	-7	Norweb	187	212	-1	Southern Water	233	320	+4
BICC	787	445	-4	General Elect.	4,200	190½	-1	Pearson	379	725	-7	Standard Chartd.	1,200	351	+1
BOC	645	683	-3	Glaxo	2,800	1275	-8	P & O	682	544	+1	Storehouse	258	107	-1
BPB Inds.	233	183	+1	Glynwed Int.	246	227	+9	Pilkington	1,500	154		Sun Alliance	1,100	389	-1
BTR	3,100	401	-1	Granada	34	143	-1	PowerGen	3,500	149	-2	T&N	640	147	
Bank of Scotland	2,700	116		Grand Met.	2,100	786	+1	Prudential	7,500	238		TI Group	175	543	+2
Barclays	4,800	468	+6	GUS A	171	1290	+11	RHM	683	276	+1	TSB	6,600	145	+1½
Bass	685	943	+7	GRE	3,500	185	-1	RMC	639	649	+6	Tarmac	3,600	222	
Beazer	215	78	-2	GKN	1,300	344	+5	RTZ	5,700	574	-16	Tate & Lyle	1,600	385	+2
Berisford Int.	289	38		Guinness	2,800	991	+4	Racal	697	218	-2	Taylor Woodrow	201	215	+2
Blue Circle	701	253	+1	Hammerson 'A'	375	590	+3	Racal Telecom	38	388	-3	Tesco	8,500	288	+2
Boots	1,600	401	+1	Hanson	3,700	207½	-½	Rank Org.	5,100	689	+12	Thames Water	1,700	359	+6
Bowater	204	693	+13	Hanson Warrants	69	33	-⅛	Reckitt & Colman	230	1082	-1	Thorn EMI	262	732	-2
Brit. Aerospace	785	571	-1	Harrisons Crosfield	7,300	142	+2	Redland	479	550	+2	Trafalgar House	780	242	-2
British Airways	2,700	171	-1	Hawker Sidd.	883	560	+26	Reed Intl.	1,900	447	+7	Ultramar	676	274	-4
British Gas	7,300	265	+2½	Hillsdown	115	229	-2	Reg. Elect. Pkg Uts	4	2046	-7	Unigate	364	289	
British Land	482	291		IMI	760	250	+9	Rentokil	325	336	-4	Unilever	1,900	738	-12
BP	7,800	356	+6	ICI	553	1238	+2	Reuters	288	787	-10	United Biscuits	1,600	385	-9
British Steel	6,400	123	+2	Inchcape	1,100	387	+2	Rolls Royce	5,000	145½	+½	Utd. Newspapers	205	365	-3
British Telecom	4,400	367½	+½	Kingfisher	1,000	514		Rothmans	112	1089	+5	Wellcome	459	741	+2
Bunzl	6,400	82	-1	Ladbroke	1,600	250	-2	Ryl Bk Scotland	4,900	184		Welsh Water	270	365	+5
Burmah Castrol	238	543	+2	Land Securities	4,300	489	+7	Royal Insurance	1,600	411	-1	Wessex Water	30	307	
Burton	8,800	41½		Laporte	1,600	564	+1	Saatchi	1,100	18¼		Whitbread 'A'	2,200	469	-3
Cable & Wire.	1,000	571	-2	Legal & General	2,400	415	-9	Sainsbury	2,000	376	+7	Williams Hldgs.	1,200	318½	-6½
Cadburys	373	377	-5	Lloyds Abbey	888	408	+9	Scottish & New.	774	420	+5	Willis Corroon	2,200	320	+5
Calor Group	1,000	290		Lloyds Bank	1,400	353	+4	Scot. Hydro-Elect.	2,000	111	+1½	Wimpey	161	178	-1
Carlton Comms.	851	478	+17	LASMO	1,600	350	+6	Scottish Power	7,300	102½	+1	Yorkshire Elect.	391	232	+1
Coats Viyella	298	157		London Elect.	621	192	+1	Sears	3,100	74	-1	Yorkshire Water	600	371	+3
Comm. Union	1,000	523	-5	Lonrho	2,000	258	+3	Sedgwick	9,600	273	+2				
Cookson	1,200	109	+3	Lucas	5,100	145	+4	Seeboard	189	194	-4				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

AFTER TWO days of leading the share market higher, stock index futures paused for breath yesterday as the weakness in overseas equity markets began to exert an influence on London, writes Jim McCallum.

FT-SE futures were kept on the defensive by talk of a large programme trade in the equity market, with dealers anticipating that it would be hedged in the futures market.

In the event, the programme trade was a sufficient mixture of buy and sell orders to only cause a temporary weakness in futures. A major UK securities house was also said to have been an active seller.

But there were also signs that institutional investors were keen to pick up stock at the lower levels and by the close this proved to have been the greatest influence on the futures market.

September FT-SE closed at 2,598, up 10 points on the day, while its premium to the spot FT-SE index ended at 37 points, up from 33 at the previous close and compared with fair value of 25 points.

But in after hours dealing, the September FT-SE slipped back to 2,592 as a late trade in FT-SE options was hedged by selling FT-SE futures.

Turnover in traded options was slow. ICI was the busiest option as an investor sold July 1,300 calls and bought October 1,300 and January 1,350 calls.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100¼	99¼	Exch. 11pc 1991	100¼	.....	11.00	10.56
99¼	96¾	Treas. 8pc 1991	99¾	.....	8.07	[illegible]
101¼	100⅛	Treas 12¾pc 1992‡‡	101¼	.....	12.61	[illegible]
99⅝	97⅝	Treas 10pc 1992	99⅝	+⅛	10.02	[illegible]
98⅞	95⅝	Treas. 8pc 1992‡‡	98⅞	+⅛	8.13	[illegible]
100⅜	98⅜	Treas 10¼pc Cv 1992‡‡	100⅜	.....	10.49	[illegible]
95¼	91⅞	Treas. 3pc 1992	95¼	-⅛	3.14	[illegible]
102⅜	100⅜	Exch. 12¼pc '92	102	.....	12.01	[illegible]
104⅝	102⅝	Exch 13½pc 1992	103⅝	.....	13.06	[illegible]
97⅞	94	Treas 8¾pc 1993	97⅞	-⅛	8.48	[illegible]
99⅝	97¼	Treas 10pc 1993‡‡	99⅝	.....	10.04	[illegible]
104⅝	102¼	Treas 12½pc 1993‡‡	104	-⅛	12.02	[illegible]
93⅞	89⅝	Funding 6pc 1993‡‡	93⅞	.....	6.41	[illegible]
108⅜	105⅜	Treas 13¾pc 1993‡‡	107	-⅛	12.85	[illegible]
96⅝	92⅞	Treas. 8¼pc 1994	96⅛	.....	8.83	[illegible]
111⅛	108⅛	Treas 14½pc 1994‡‡	109⅞	-⅛	13.24	[illegible]
109	105⅝	Exch 13½pc 1994	107⅞	.....	12.54	[illegible]
99⅝	96⅝	Treas. 10pc Ln. 1994‡‡	99⅝	.....	10.06	[illegible]
106⅛	103⅛	Exch. 12½pc 1994	105⅛	+⅛	11.82	[illegible]
96⅜	93⅛	Treas 9pc 1994‡‡	96⅛	.....	9.39	[illegible]
106¼	102⅛	Treas 12pc 1995	104⅞	-⅛	11.44	[illegible]
89	82⅝	Exch 3pc Gas 90-95	86	.....	3.49	[illegible]
100⅛	96⅝	Exch. 10¼pc 1995	99⅝	-⅛	10.29	[illegible]
109⅜	105⅞	Treas 12¾pc 1995‡‡	108⅛	-⅛	11.78	[illegible]
113⅜	109⅞	Treas. 14pc '96	112⅛	-⅛	12.49	[illegible]
96⅝	92⅝	Treas. 9pc 1992-96‡‡	96⅝	.....	9.33	[illegible]
119⅝	115⅝	Treas 15¼pc 1996‡‡	117⅝	-⅛	12.99	10.51
112⅝	108	Exch 13¼pc 1996‡‡	110⅛	-⅛	12.02	10.46
		Five to Fifteen Years				
100⅛	95⅜	Conversion 10pc 1996	98⅞	-⅛	10.11	10.24
99⅛	97⅛	Do. 10pc 1996 B	98⅞	-⅛	10.11	10.26
113⅜	108⅞	Treas 13¼pc 1997‡‡	111⅛	+⅛	11.90	10.47
102⅜	97⅛	Exch 10½pc 1997	100⅜	.....	10.42	10.30
94⅜	89⅜	Treas 8¾pc 1997‡‡	93⅜	+⅛	9.37	10.19
122⅜	117	Exch 15pc 1997	119⅜	+⅛	12.52	10.56
98⅜	93⅜	Exch. 9¾pc 1998	97⅛	+⅛	10.00	10.26
85⅜	80⅝	Treas 6¾pc 1995-98‡‡	85⅛	+⅛	7.89	9.71
127⅜	121⅜	Treas. 15½pc '98‡‡	125	+⅛	12.40	10.44
109⅜	104⅜	Exch. 12pc 1998	108⅛	+⅛	11.71	10.34
97⅜	92⅜	Treas 9½pc 1999‡‡	96⅛	+⅛	9.83	10.11
111⅜	105⅜	Exch. 12¼pc 1999	109⅛	+⅛	11.17	10.37
102⅛	97⅜	Treas. 10½pc 1999	101⅛	.....	10.38	10.26
101⅛	95⅜	Conversion 10¼pc 1999	99⅜	.....	10.28	10.26
94⅜	89⅝	Conversion 9pc 2000‡‡	93⅝	.....	9.61	10.10
116⅛	110⅜	Treas. 13pc 2000	114⅜	.....	11.35	10.45
100⅛	94⅜	Treas 10pc 2001	98⅛	.....	10.13	10.21
38⅜	36⅝	Do. 10pc 2001 B⊕	38⅛	.....	10.19	10.13
118⅜	113⅜	Treas. 14pc '98-01	116⅜	.....	12.02	10.53
98⅜	92⅜	Treas 9¾pc 2002	96⅝	.....	10.06	10.22

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅜	94⅜	Treas 10pc 2003	98¾	+⅛	10.13	10.17
108¼	102	Treas. 11½pc 2001-04	106⅝	+⅛	10.80	10.41
58⅜	53⅜	Funding 3½pc '99-04	58⅜	+⅛	5.99	8.98
97⅜	90⅝	Conversion 9½pc 2004	95½	+⅛	9.95	10.13
		[illegible]				
		Over Fifteen Years				
		[illegible]				
		Undated				
		[illegible]				
		Index-Linked			(1)	(2)
130⅞	125⅛	I-L 2pc '92‡‡ (97.8)	[illegible]		[illegible]	[illegible]
118⅛	115⅜	Do. 2pc '94 (102.9)	[illegible]		[illegible]	[illegible]
172⅜	168⅜	Do. 2pc '96 (67.9)	[illegible]		[illegible]	[illegible]
142⅜	137⅜	Do. 2½pc '01 (78.3)	141¼	+¼	4.02	4.34
138⅞	133	Do. 2½pc '03 (78.8)	136¾	+¼	4.11	4.39
140⅜	135	Do. 2pc '06 (69.5)	138¼	+¼	4.18	4.40
128⅜	124⅜	Do. 2½pc '09 (78.8)	126½	+¼	4.21	4.41
132⅜	128⅜	Do. 2½pc '11 (74.6)	130¼xd	+¼	4.23	4.41
109⅜	105⅜	Do. 2½pc '13 (89.2)	107⅜xd	+⅜	4.22	4.39
117⅜	113⅜	Do. 2½pc '16 (81.6)	114⅜xd	+⅜	4.20	4.37
113⅜	109⅜	Do. 2½pc '20 (83.0)	110⅜	+⅜	4.17	4.31
95⅜	91⅜	Do. 2½pc '24‡‡ (97.7)	92⅝	+⅜	4.11	4.25

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1990: 130.0 and for June 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼Ln 2010	101⅞	-⅛	11.00	10.97
97⅜	91⅞	Asian Dev Bk 10¼pcLn2009	96⅞	-⅛	10.65	10.72
112⅛	105⅜	Int-Am Dev Bk 12½pc 2003	110⅜	-⅛	11.29	10.83
92⅜	86⅞	Do. 9¾pcLn 2015	90⅜	-⅛	10.74	10.83
		[illegible]				

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52	.....	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
128	120½	Hydro Quebec 15pc 2011	125½	-⅛	12.89	11.61

Continued on next page

APPOINTMENTS

Hawker Siddeley changes

■ HAWKER SIDDELEY has made the following operating company board appointments. Mr Terry Sharpe has been promoted to managing director of Lister-Petter. He was production director, and is succeeded by Mr Hugh Tipper, with the company since 1960. Mr Michael Mailen joins the board of Hawker Batteries. He is managing director of group companies Tungstone Batteries, Crompton Stud Welding, and Cromp Arc Inc (USA), and deputy chairman of Chloride Industrial Batteries.

■ PERSIMMON HOMES (ANGLIA), Lowestoft, has appointed Mr Alan Hadman as deputy managing director. He was with Wimpey as Norfolk and Suffolk district manager.

■ Mr Christopher Pumphrey has been appointed a non-executive director of NORTHERN ROCK BUILDING SOCIETY. He is chairman of Wise Speke, and a director of Sturge Holdings.

■ ROBERTS RADIO COMPANY has appointed Mr David Hewitt to the board. He spent most of his career with Thorn-EMI Ferguson, then was chairman of Comet from 1985 to his retirement in 1989. Mr Michael Milling, a Grant Thornton partner, becomes financial adviser.

■ CLEVELAND STRUCTURAL ENGINEERING, a member of the construction division of Trafalgar House, has appointed Mr Peter Ladd as proposals director responsible for marketing and estimating. He has been with the company since 1956.

Mr John Campbell *(pictured)* has been appointed managing director of FRAMLINGTON PENSIONS MANAGEMENT, a subsidiary of Framlington Group. He was managing director of Instate.

■ Mr Martin Crawford has been appointed to the new post of director, marketing and business development, for GARDNER MERCHANT's operations worldwide. He was with Bain & Co.

Thorn EMI rental chief

■ Mr Michael E. Metcalf has been appointed chief executive of the THORN EMI worldwide rental businesses, operating in 19 countries. He remains group finance director until a successor is appointed, and succeeds Dr James Maxmin who leaves on September 15 to become chief executive officer of Laura Ashley.

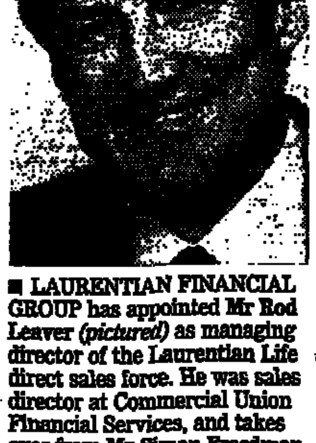
■ Dr Eric Clatworthy has been appointed director of sales and marketing at ASSOCIATED GAS SUPPLIES. He was with British Gas. AGAS is a joint venture between Energy and Technical Services, and Elf UK, set up to supply gas directly to industrial customers.

■ Mr Eric Holroyd has been appointed to the board of API GROUP where he will act as managing director until a group managing director is appointed. He was chief executive of Bowater's consumer and industrial packaging group.

■ FOREIGN & COLONIAL PENSIONS MANAGEMENT has appointed Mr Nigel Morecroft as marketing director. He was marketing director of Lloyds Investment Managers.

■ Sir Gordon Manzie has been appointed a non-executive director of TRAFALGAR HOUSE CONSTRUCTION. He is chairman of Anglo Japanese Construction, a joint venture between Trafalgar House, Costain, and Mitsui & Co, formed to bid for the new airport, port and infrastructure in Hong Kong.

■ De MORGAN & CO has appointed Mr Andrew Yeandle as a director.



■ LAURENTIAN FINANCIAL GROUP has appointed Mr Rod Leaver *(pictured)* as managing director of the Laurentian Life direct sales force. He was sales director at Commercial Union Financial Services, and takes over from Mr Simon Freedman who, under the group's restructuring, moves from corporate sales and marketing director of Laurentian Life to marketing director of the group. He also becomes non-executive chairman of the direct sales force.

PUBLIC WORKS LOAN BOARD RATES

Effective July 17

Years	Quota loans* EPt	Quota loans* At†	Quota loans* maturity
1			10⅞
Over 1 up to 2	10⅞	10⅞	10⅞
Over 2 up to 3	10⅞	10⅞	10¾
Over 3 up to 4	10¾	10¾	10⅞
Over 4 up to 5	10¾	10¾	10⅞
Over 5 up to 6	10⅞	10⅞	11
Over 6 up to 7	10⅞	10⅞	11
Over 7 up to 8	10⅞	10⅞	11⅛
Over 8 up to 9	10⅞	11	11⅛
Over 9 up to 10	11	11	11¼
Over 10 up to 15	11⅛	11¼	11¼
Over 15 up to 25	11¼	11⅛	11⅛
Over 25	11⅛	11⅛	11⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¾	20⅞	Abbott Laboratories‡	31¼xd	–⅛	$1.00	–	1.9
385p	257p	♦Allegheny & W 1c	296p	–7	30c	–	6.0
10¼	667p	Amdahl 5c	889pxd	–12	10c	–	0.7
42¼	25¼	Amer. Cyanamid $5	41¼	...	$1.50	–	2.1
17¾	9[illegible]	Amer. Express 60c	13[illegible]xd	+[illegible]	92c	–	3.9
24½	15¼	American T. & T. $1	22[illegible]xd	–[illegible]	$1.32	–	3.4
38¾	32½	Ameritech $1	35¾	–¼	$3.40	–	5.6
24	12[illegible]	BankAmerica $1[illegible]	22[illegible]xd	+[illegible]	$1.20	–	3.1
34¾	20[illegible]	Bankers N.Y. $1	31[illegible]xd	+¼	$1.52	–	9.0
30½	24¼	Bell Atlantic $1	28¼xd	+¼	$2.52	–	5.3
31¼	25	BellSouth Corp	28¼	–¼	$2.76	–	5.7
11¼	6[illegible]	♦Bethlehem Steel $8	10¼xd	–¼	40c	–	2.3
1839p	1046p	Bowater Inc	1626p	+28	$1.20	–	4.4
9½	4¼	Brunswick 75c	8[illegible]xd	+[illegible]	44c	–	2.9
54	37[illegible]	CPC Intnl. 25c	51[illegible]xd	+¼	$2.00	–	2.3
852p	420p	California Engy	778p	...	–	–	–
50	28¼	Campbell Soup 15c	46¼xd	–¼	$1.16	–	1.5
12½	5[illegible]	Chase Manhattan $12½	12[illegible]xd	+¼	$1.20	–	5.8
9[illegible]	5½	Chrysler $6¼	8[illegible]xd	–[illegible]	60c	–	4.1
10½	5¾	Citicorp $1	9xd	+½	$1.00	–	6.6
25	21[illegible]	Colgate-Palmolive $1	23¼xd	+¼	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	805p	–5	$1.00	–	7.3
21¾	13[illegible]	Dana Corp. $1	19[illegible]xd	–[illegible]	$1.60	–	4.9
1090p	205p	Data General	1071p	–19	–	–	–
22	12¾	Dial Corp. $1.5	21¼xd	+[illegible]	$1.40	–	3.8
29¾	20¾	Dun & Bradstreet $1	28[illegible]	+[illegible]	$2.16	–	4.5
40	24¼	Eaton Corpn. 50c	37¼	+¼	$2.20	–	–
8½	5½	Echlin Inc	8¼xd	+¼	70c	–	5.0
19[illegible]	14[illegible]	FPL Group 1c	18¾xd	+[illegible]	$2.40	–	7.6
30[illegible]	17[illegible]	Fluor Corp 62½pc	27[illegible]xd	+½	32c	–	0.7
23¼	13½	Ford Motor $1	21¼xd	–½	$1.60	–	2.8
46[illegible]	28[illegible]	Gen. Elect. 63c	44[illegible]xd	–[illegible]	$2.04	–	2.7

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1...	β	648	......
Finlay Pkg. 5p....	β	20	-1
Holt (Jos) 25p....	β	1978	......

IRISH

Cap. 8½% Ln. 2010...	£93	-¼
9pc Cap Ln. 1996...	£97¾	+¼
Fin. 13% 97/02...	£114¼	......
Arnotts...	165	......
Helton Hldgs... γ	43	......
IRG...	128½	......
United Drug...	172	+2

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	35
Barclays	38
Blue Circle	24
Boots	38
Bowaters	53
Brit. Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl.	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils	
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.31	49.31	52.73	+0.01	6.58
Gilts & Fixed Int	6	112.2	112.2xd	119.0	-0.1	9.66
High Inc Equity	6	132.4	136.1xd	144.7	+0.3	5.87
Worldwide Bond	6	207.9	207.9	220.4	+0.2	6.81
Capital Growth						
American Growth	6	204.8	204.8	218.8	-0.7	1.00
Asian Pacific	6	131.8	134.6	143.1	-1.2	1.10
Assets & Earnings	6	174.0	177.9	189.2	+0.3	3.05
Capital Reserve Acc	0	105.5	105.5	105.6	.....	7.19
Capital Reserve Inc	0	83.45	83.45	83.50	+0.01	7.19
Comdy & Energy	6	80.85	80.85	86.47	+0.70	1.72
1992 Enterprise	6	62.45	62.45	66.79	+0.01	2.89
Euro Capital Acc	6	87.72	87.72	93.81	-0.46	1.44
Euro Capital Inc	6	83.81	83.81	89.63	-0.44	1.45
General	6	169.4	169.4	181.1	+0.2	2.76
Japan	6	98.98	98.98	105.8	-1.0	-
Mastertrust	6	89.79	89.79	96.03	-0.18	2.12
UK Growth Acc	6	153.3	153.3	163.9	-0.1	2.78
UK Growth Dist	6	98.47	98.47	105.3	.....	2.78
US Emerging Cos	6	69.14	69.14	73.94	+0.42	-
Income & Growth	6	297.7	297.7	318.3	.....	4.40
Ethical	6	49.00	49.00xd	52.40	+0.13	3.29
International	6	62.84	62.84	67.20	-0.26	1.31
Dividend & Growth	6	47.40	48.59xd	51.69	+0.12	5.80

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	18.89	18.89	19.94	.....	1.16
Progressive Acc	5	28.47	28.47	30.05	.....	1.16
International Inc	5	19.91	19.91	21.01	.....	1.40
International Acc	5	26.46	26.46	27.93	.....	1.40
Can & Foreign Inc	5	231.0	231.0	243.8	.....	0.97
Can & Foreign Acc	5	276.1	276.1	291.4	.....	0.97
Special Sits Inc	5	206.2	206.2	217.6	.....	2.80
Special Sits Acc	5	224.0	224.0	236.4	.....	2.80
PEP Inc	5	134.4	136.3	143.8	.....	1.80
PEP Acc	5	143.5	145.4	153.5	.....	1.80
Growth Inc	5	82.14	82.14	86.69	.....	0.77
Growth Acc	5	82.48	82.48	87.05	.....	0.77

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	118.5	118.5xd	126.7	+0.2	3.67
Dolphin Dividend	5½	63.03	63.03	67.41	+0.02	6.52
Dolphin Int Inc & Gth	5½	160.0	160.0xd	171.1	.....	3.65
Dolphin UK & Gen	5½	34.06	34.22	36.59	.....	2.91
Dolphin Fund of Funds	5½	47.51	49.28	52.70	+0.09	2.85

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	73.94	75.31	80.55	+0.04	3.15
Do (Accum)	6	78.90	79.75	85.30	+0.04	3.15
Service Cos	6	60.57	60.57	64.78	-0.14	2.45
Do (Accum)	6	63.72	63.72	68.15	-0.14	2.45
Income Growth	6	42.30	42.30	45.24	-0.11	4.36
Do (Accum)	6	59.73	59.73	63.89	-0.14	4.36
Higher Yield	6	31.85	32.39xd	34.64	+0.04	4.49
Do (Accum)	6	40.20	40.88	43.72	+0.09	4.49
American Gth Inc	6	32.56	32.69	34.96	+0.18	1.51
Do (Accum)	6	33.18	33.31	35.62	+0.18	1.51
European Growth	6	25.93	25.93	27.74	-0.15	1.55
Do (Accum)	6	26.43	26.43	28.26	-0.16	1.55
Global Bond Inc	6	22.48	22.57	24.14	.....	6.47

GA Unit Trust Mngrs Ltd (1000)H
PO Box 237, York YO1 1LA 0345 581106/7

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
G & A	5½	180.1	180.1	190.9	+0.5	4.71
Cash*	1½	50.15	50.15	50.90	+0.01	10.81
Growth Portfolio	5½	48.07	48.07	50.95	-0.10	1.96
Income Portfolio	5¼	50.06	50.06	53.06	-0.07	6.22

*C.A.R. – Compound Annual Rate

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 680066

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	111.0	111.0xd	118.7	-0.6	3.39
Do Accum	5½	118.9	118.9xd	127.1	-0.6	3.39
UK Sel P'folio	5½	95.42	95.42xd	102.0	-1.1	4.33
Do Accum	5½	101.6	101.6xd	108.6	-1.1	4.33

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	133.1	134.4	143.0	-0.3	3.81
Gilt & Fxd Int	5	144.6	144.6	152.1	-0.1	8.52
Intl Growth	5¼	151.4	152.8	162.5	-0.6	0.43
North American ♥	5¼	99.14	100.4xd	106.8	+0.2	0.49
Far East	5¼	122.0	122.9xd	130.8	-1.0	0.44
UK Smaller Cos	5¼	101.6	101.6	108.1	+0.3	3.41
European	5¼	53.12	53.12xd	56.61	-0.51	1.01
Japanese Growth	5¼	37.80	37.80	40.50	-0.52	0.00
Managed P'folio	5¼	50.26	50.49	53.71	-0.04	1.33
High Income	5¼	148.0	149.9	159.5	-0.1	6.14
High Yielding Gilt	5¼	60.60	60.60	63.84	+0.02	9.82
Cash		51.26	51.26	51.26	+0.02	10.06

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Ind Tracker Inc	5	122.9	122.9	131.3	+0.2	3.78
UK Ind Tracker Acc	5	131.3	131.3	140.3	+0.2	3.78
US Eq Ind Tracker Inc	5	147.4	147.4	158.1	-0.2	2.84
US Eq Ind Tracker Acc	5	152.2	152.2	163.2	-0.2	2.84
Japan Tracker	5	62.51	62.51	66.29	-0.66	0.00
Asian Trader	5¼	88.12	88.12	94.06	-0.79	1.43
Managed Inc	5¼	99.50	99.50xd	107.0	+0.1	1.97
Managed Acc	5¼	101.1	101.1xd	108.7	+0.1	1.97
Cash Inc	0	100.23	100.23xd	100.23	+0.02	10.99
Cash Acc	0	109.34	109.34xd	109.34	+0.02	10.99
Europa	5½	103.9	103.9	111.2	.....	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	115.45	115.45	123.01	-0.16	2.60
Exempt Smllr Cod	3½	220.52	220.52	239.61	-0.38	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	313.2	313.2	334.0	+1.6	1.28
(Accum Units)	5	366.4	366.4	390.7	+1.8	1.28
British	5	787.8	787.8	835.0	+0.7	5.95
(Accum Units)	5	1261.2	1261.2	1334.2	+1.1	5.95
European	5	321.7	321.7	342.0	+2.0	1.54
(Accum Units)	5	344.3	344.3	366.6	+2.2	2.54
Japan	6	122.0	122.0	129.6	-1.1	-
(Accum Units)	6	122.9	122.9	130.6	-1.1	-
Pacific	5	175.1	175.1	186.1	----	1.95
(Accum Units)	5	179.3	179.3	190.5	----	1.95
PEP July 17	5	133.3	135.6	143.5	+3.4	3.87
Mngd Equity	5	120.5	122.3	129.4	-0.1	3.58
Mngd Equity Acc	5	128.0	130.0	137.5	-0.1	3.58
Mngd Cash	5	95.80	95.80	100.5	+0.1	11.26
(Accum Units)	5	113.5	113.5	119.0	+0.1	11.28
Mngd Portfolio July 17	5	122.0	122.0	129.1	+1.1	6.80
Majority Stdy	1	99.71	99.71	100.70	+0.02	10.95
Majority Stdy Acc	1	104.59	104.59	105.63	+0.02	10.95

Sturdbrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	593.7	601.1	642.9	-1.6	3.35
North America	6	88.08	80.87	86.49	-0.05	1.03
Far East	6	95.86	96.96	103.7	-0.8	0.75
W'wide Bond	6	47.43	47.43	50.46	-0.01	5.94
European	6	66.15	66.54	71.17	-0.41	1.71
Equity Income	6	68.94	69.86	74.72	-0.12	4.66
Portfolio	6	58.21	58.21	62.26	-0.79	2.51

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basing View, Basingstoke, Hants 0800 525725

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	26.91	26.91	28.79	-0.04	0.48
Managed Assets	6	102.87	102.70	109.85	+0.07	3.97
UK Income	6	32.86	33.37	35.70	+0.08	4.69
UK Growth	6	32.65	33.26	35.58	+0.05	3.26
Worldwide Growth	6	24.61	24.61	26.33	-0.08	0.77

Sun Life Trust Mngmt Ltd (1200)H

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American July 17	162.2	166.7	+1.9	1.50
Managed July 17	146.2	150.6	+2.2	3.82
Japan July 16	118.8	122.1xd	-1.9	0.08
Sm Jap Cos July 12	583.0	599.0	-13.8	0.08

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'folio	130.6	134.8	+0.20	3.60

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£499.09	497.43	+0.12	1.56
Gen Exempt	£131.73	134.71	+0.74	3.99
Jap Exempt	£490.82	500.60	-2.1	0.77
Pacific Exempt	£103.41	105.59	+0.42	3.17
Contl Euro Exempt	£96.32	98.22	-0.07	2.28
Indexed Exempt July 12	£125.99	129.15	----	4.93
Amer Indxd Exet July 11	£107.88	108.96	......	2.73
Japan Indxd Exet July 11	£65.50	66.82	...	0.63
Euro Index Exet July 11	£95.46	97.39	..	2.85
U'mes Indxd Exet July 11	£100.64	102.85		2.48

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital July 3	489.42	493.00	...	2.49
Gross July 3	173.36	176.77xd	...	11.03
High Yield July 3	290.47	292.80	...	7.04

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	53.24	54.33	-0.05	4.14

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1225.0	1320.0xd	...	-
Mngd Pens (Acc)	68.3	72.8	...	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jan 3	£2360.0	2675.0	...	6.00
Inc Gth Prp Apr 16	£1325.0	1460.0	...	7.20

Lazard Investors Ltd ‡‡
Exempt Funds

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP June 16	284.0	298.2	......	-

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Exempt July 15	96.24	102.28xd	----	4.08
(Accum Units)	100.71	105.99xd	----	4.08

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Ex European July 11	1088	1103	----	3.46
TR Ex Nth Amer July 11	1037	1070	----	3.47
TR Ex Pac Basin July 11	780	793	----	2.55
TR Ex Smlr Cos Inc July 11	1152	1222	----	7.98
TR Ex Smlr Cos Acc July 11	1178	1250	----	7.98

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy July 12	-	185.2	-0.4	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	272.0	286.4	----	-
Equity Ser. 1	128.1	134.9	-0.4	-
Prop. Acc. Ser 2	441.9	465.2	----	-
Equity Ser 2	157.2	165.5	-0.6	-
Selective Acc. Ser 2	358.0	376.9	-0.3	-
Prop. Ser. 4	353.5	372.2	----	-
Equity Ser. 4	159.9	168.4	-0.5	-
Man. Ser. 4	473.1	498.0	-1.3	-
Fixed Int. Ser. 4	258.1	271.7	----	-
Indexed Inv. Ser. 4	155.7	163.9	+0.1	-
American Ser. 4	352.8	371.4	-0.2	-
Japan Ser 4	295.8	311.4	-2.5	-
European Ser 4	113.5	119.5	-0.4	-
High Inc. Ser. 4	495.1	521.2	+1.3	-
Money Ser. 4	277.0	291.6	....	-
Intl Ser. 4	118.9	125.2	+0.4	-
Custodian Ser. 4	116.1	122.3	-0.1	-
Asian Pacific	98.0	103.2	-0.5	-
Ethical	97.0	102.2	+0.2	-
Pension Funds				
Property	631.8	665.1	...	-
Equity	1170.6	1232.3	-3.8	-
Selective	392.9	413.6	-0.5	-
Managed	929.7	978.7	-2.7	-
Security	568.9	598.9	----	-
Fixed Int.	315.4	332.1	----	-
Indexed	170.2	179.2	+0.2	-
American	302.1	318.1	-0.6	-
Japan	314.9	331.5	-3.4	-
European	162.4	171.0	-0.8	-
High Income	141.0	148.5	+0.3	-
Ethical	131.4	138.4	+0.4	-
International	223.6	235.4	-0.9	-
Protected Growth	96.7	101.8	+0.1	-

Acuma Life Assurance Ltd
The Gloaty, Egham, Surrey TW2 9AT 0784 475333

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	217.6	229.0	+0.1	-
UK Small Companies	157.6	165.8	----	-
Nth American	115.9	122.0	+0.2	-
Far Eastern	278.4	293.0	-1.9	-
European	145.0	152.6	+0.4	-
Fixed Interest	146.8	154.5	-0.1	-
Index Linked Stks.	149.0	156.8	-0.4	-
Money	141.7	149.1	----	-
Managed	182.8	192.5	----	-
World Growth	145.9	153.6	-0.1	-
Pen UK Equity	304.6	320.6	+0.3	-
Pen UK Small Cos	201.8	212.4	+0.1	-
Pen Nth American	119.2	125.4	+0.2	-
Pen Far Eastern	416.1	437.9	-2.8	-
Pen European	142.1	149.5	+0.4	-
Pen Fixed Interest	177.1	186.4	-0.1	-
Pen Index Lnkd Stks	158.5	166.8	-0.4	-
Pen Money	167.4	176.2	----	-

Albany Life Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Man Fd Acc(z)	424.2	446.5	-1.0	-
Japan Fd(z)	273.6	287.9	-2.4	-
UK Smlr Co's Fd Acc(z)	92.5	97.4	+0.1	-
Europlus Metro	132.8	139.8	-0.2	-
Global Metro	104.8	110.2	-0.4	-
Sunrise Metro	126.7	133.3	-0.6	-
UK Metro	116.6	122.7	+0.3	-
Nth American Fd Acc(z)	237.0	249.4	+0.7	-
Pac Basin Fd Acc(z)	156.5	164.7	+0.4	-
Prop Fd Acc(z)	333.0	350.5	+0.1	-
Millennium	110.7	116.5	+0.1	-
Multiple Inv Acc(z)	777.4	818.2	-0.3	-

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep. Acc.	317.0			
Equity Acc.	1015.6			
Property Acc.	305.4			

Century Life Plc
2 Eyre Street Hill, London EC1R 5AE 071-278 4488
City Of Edinburgh Life Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Far East Emerg Econ	39.6	41.6	-0.3	-
Fund of Inv Tsts	59.4	62.4		-
Money	151.9	159.5	+0.1	-
Special Situations	83.2	87.4	-0.1	-
UK Growth	125.3	131.6	-0.2	-
World Growth	117.0	122.8	-0.3	-
Pension Funds				
Fund of Inv Tsts	133.1	139.8	...	-
Special Situations	123.1	129.3	-0.2	-
UK Growth	209.2	219.6	-0.2	-

Crusader Insurance PLC
PO Box 37, Greenock, Renfrewshire PA15 4AZ 0475 888000

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Performance	113.8	120.4	+0.5	-
Performance Plus	108.8	115.1	+0.4	-
With Profits Perform	134.5	142.3	+0.1	-
UK Opportunity	135.8	143.7	+1.5	-
European Opportunity	132.1	139.8		-
Nth American Opp	98.8	104.6	+1.0	-
Far Eastern Opp	131.2	138.8	-0.5	-
Overseas	118.9	125.8	+0.5	-
Gwth Pro Ser 1 Mar b	163.6	172.2	...	-

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 071-488 0733

	Bid Price	Offer Price	+ or -	Yield Gross
Hambro Generali UK Gth	143.5	151.1	...	-
Hambro Generali Ppty	133.8	140.9	.....	-
Hambros Canadian	122.0	129.2	.....	-
Hambros Equity Inc	130.1	137.6	.....	-
Hambros European	145.9	153.6	.....	-
Hambros High Income	147.4	155.2	...	-
Hambros Jap & Far East	142.5	150.0	...	-
Hambros Nth American	171.3	180.4	...	-
Hambros Scandinavian	168.4	177.3	---	-
Hambros Smaller Cos	140.6	148.0	---	-
Generali Intnl Managed	504.4	531.0	---	-

Legal & General (Unit Pensions) Ltd
Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex. Bldg. Soc. Lnkd	155.6	163.8	+0.1	-
Do. Accum	194.7	205.0	.....	-
Exempt Cash Init	277.5	292.2	+0.2	-
Do Accum	437.9	461.0	+0.2	-
Exempt Eqty. Init	851.7	896.6	-1.7	-
Do Accum	1343.9	1414.7	-2.7	-
Exempt Euro Init	162.9	171.5	-0.8	-
Do Accum	197.7	208.2	-0.8	-
Exempt Far East Init	221.2	232.9	-1.9	-
Do. Accum	268.5	282.7	-2.2	-

Merchant Investors Assurance Co Ltd
Part of the MI Group
91 Wimpole St, London W1M 7DA
Life Administration 0272 266366
Pensions Administration 081-686 9171
Unit Prices 081 789 2945 or 0272 752297

	Bid Price	Offer Price	+ or -	Yield Gross
MI Managed Fd	55.9	58.8	+0.1	-
MI Currency Fd	222.2	233.8	+0.2	-
MI Environmental	46.8	49.2	.....	-
MI European Equity	54.2	57.0	...	-
MI Far East Equity	310.2	326.5	-0.7	-
MI Gilt-Edged	399.6	420.6	...	-
MI Income	52.1	54.8	+0.3	-

Continued on next page

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N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.3	113.0	-0.1	-
Pension Managed Fd	106.0	111.6	...	-
Life Deposit Fd	108.1	113.8	...	-
Pension Deposit Fd	113.6	119.6	+0.1	-

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	109.8	115.6	+2.1	-
Managed Growth	137.3	144.6	+0.9	-
Managed Opportunity	138.7	146.1	+0.8	-
NFMC Target Financial	103	108.5	-0.1	-
Pension Funds				
Managed Cautionary	120.2	126.6	+1.1	-
Managed Growth	145.4	153.1	+0.9	-
Managed Opportunity	139.1	146.5	+0.9	-
NFMC Target Mngd Pens	1530.8	1611.4	-1.6	-

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	163.7	172.4	+1.9	-
UK Equity	171.8	180.9	+4.2	-
Overseas Equity	138.9	146.3	+1.1	-
Fixed Interest	146.6	154.4	+0.4	-
Property	127.8	134.6	...	-
Index Linked	146.5	154.3	-0.9	-
Deposit	158.4	166.8	+0.3	-
With Profits (B)	129.9	136.8	+0.3	-

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	152.0	160.5	...	-
Accum Equity	218.5	230.5	...	-
Accum Managed	227.5	240.0	-0.5	-
Accum Five Star	172.0	181.5	+0.5	-
Accum World	125.5	132.5		-
Accum Lifetime	109.9	109.9	+0.3	-
Pens Acc Equity	235.5	248.5	...	-
Pens Acc Managed	289.0	304.5	+5.0	-
Pens Acc Intl	216.0	227.5	-1.5	-
Pens Acc Deposit	201.0	212.0	+0.5	-
Pens Acc Five Star	188.5	198.5	+0.5	-

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	225.2	237.6	-0.3	-
UK Fixed Int Acc	176.7	186.4	+0.1	-
Intl Equities Acc	178.5	188.3	-0.3	-
UK Managed Acc	174.3	183.8	-0.1	-
Property Acc	224.1	236.4	-	-
Money Acc	130.0	137.2	...	-
Special Market Acc	143.3	151.2	+1.1	-
Japan Equity Acc	104.5	110.3	-0.9	-
North American Acc	109.4	115.5	-0.1	-
Pacific Acc	97.5	102.9	-0.5	-
Technology Acc	128.2	135.3	-0.3	-
Nat Resources Acc	64.2	67.8	-0.1	-
European Acc	101.4	107.0	-0.2	-
Residential Prop Acc	96.2	101.5	...	-
Swiss Equities Acc	35.0	37.0	-0.1	-
Hong Kong Acc	70.2	74.1	-0.2	-
UK High Inc Eq Acc	72.5	76.4	-0.1	-
Int Fixed Interest Acc	57.8	61.0	-0.1	-
Int Managed Acc	57.0	60.1	-0.1	-
HIP Managed Acc	118.8	125.3	+0.3	-
HIP Managed II Acc	100.5	106.0	+0.2	-
HIP Managed III Acc	107.6	113.5	+0.3	-
Total Investment Bond				
UK Equity Initial		153.2	-0.2	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$707.39		.....	-
Fixed Income Shares	$991.50		.....	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mid Growth	$10.15		-0.07	-
Yamaichi ISS Fund	$7.34		-0.08	-
Yamaichi CB Plus Fund	$8.04		-0.04	-
Thai Inv Fund	$9.43		.....	-
Yamaichi OTC Equity Fd	$9.56		-0.02	-

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (a)
79 Kildare Street, Dublin 010 353 1760 630

MI Global Asset Mngmt Co Ltd "MI Trusts"

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
John Govett — Contd.						
Far East Equity	5¼	$10.70	10.70	10.80	-0.03	1.0
US Smaller Cos	5¼	$12.54	12.54	12.66	-0.06	1.0
European Equity	5¼		13.86	13.99		2.0
UK High Income	5	£4.72	4.72	4.74	.....	10.75
UK Equity	5¼	£4.88	4.88	4.92	+0.02	3.0

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029

INVESCO MIM International (Jersey) Ltd
PO Box 271, St Helier, Jersey 0534 73114

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561
Dealing daily

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound lose ground

THE DOLLAR weakened to test support around DM1.79 in late European trading, after failing to breach upward resistance near DM1.80. Caution about central bank intervention limited demand for the dollar, bringing the currency back after stronger than expected June US housing starts had pushed it a little higher.

Dealers suggested that the market is not ready to challenge the central banks so soon after last Friday's heavy intervention and will need stronger data than housing starts to test upward resistance. Yesterday's data, including the latest inflation figures, were generally shrugged off by the market.

A rise of 0.2 per cent in June US consumer prices indicated that inflation is under control, according to analysts, but excluding food and energy the underlying rate rose 0.4 per cent against 0.2 per cent in May. This suggested that although the year-on-year inflation rate declined to 4.7 from 5.0 per cent there are still inflationary pressures in the economy.

Mr David Mulford, US Treasury undersecretary, said that discussion on exchange rates at the London meeting of the Group of Seven leading industrial nations had been "very general." He noted that summit meetings do not usually delve deeply into currency issues, and that the language in the communique "adequately reflects the kind of discussion we had."

At the London close the dollar had fallen to DM1.7890 from DM1.7990; to Y136.75 from Y137.10; to SFr1.5535 from SFr1.5615; and to FFr6.0725 from FFr6.1050. On Bank of England figures the dollar's index declined to 67.5 from 67.6.

Sterling improved against the dollar and Japanese yen, but weakened slightly in the European exchange rate mechanism, falling to fourth from third strongest member of the grid.

Today's UK data is expected to show a fall in industrial and manufacturing output, together with another rise in unemployment. Industrial production is forecast to fall 0.7 per cent and manufacturing output 0.3 per cent in May, while the rate of unemployment is likely to rise to 8.1 per cent in June from 7.9 per cent in May, according to the general view of economists. Money supply and bank lending figures are also expected to be weak.

Mr Norman Lamont, UK chancellor of the exchequer, told a news conference in London the economic recovery is not yet underway in Britain, but he still expects it to begin in the second half of the year. Speaking at the end of the G7 meeting Mr Lamont said the UK would benefit from a general world recovery and from the depreciation of European currencies against the dollar.

Sterling rose 70 points to $1.6525. It also climbed to Y226.00 from Y225.50, but fell to DM2.9575 from DM2.9600; to FFr10.0350 from FFr10.0450; and to SFr2.5675 from SFr2.5700. The pound's index lost 0.1 to 90.5.

£ IN NEW YORK

July 17	Latest	Previous Close
£ Spot	1.6530-1.6540	1.6415-1.6425
1 month	0.73-0.71pm	0.73-0.71pm
3 months	2.01-1.98pm	1.99-1.96pm
12 months	5.95-5.85pm	5.92-5.82pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 17	Previous
8.30 am	90.4	90.5
9.00 am	90.4	90.5
10.00 am	90.4	90.5
11.00 am	90.4	90.5
Noon	90.4	90.5
1.00 pm	90.3	90.5
2.00 pm	90.4	90.6
3.00 pm	90.5	90.6
4.00 pm	90.5	90.6

CURRENCY MOVEMENTS

Jul 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.5	-20.7
U.S Dollar	67.5	-11.0
Canadian Dollar	106.3	+3.4
Austrian Schilling	108.3	+10.9
Belgian Franc	109.7	-3.2
Danish Krone	107.0	+1.8
D-Mark	115.6	+22.5
Swiss Franc	108.8	+17.6
Dutch Guilder	112.3	+14.7
French Franc	101.3	-14.2
Lira	97.9	-20.3
Yen	139.8	+71.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jul 16

CURRENCY RATES

Jul 17	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.801272	0.695682
U.S Dollar	5.50	1.32250	1.14315
Canadian $	8.89	1.51598	1.31165
Austrian Sch	7	16.6754	14.4654
Belgian Franc	7.50	48.8102	42.3107
Danish Krone	9	9.17022	7.94772
D-Mark	6.50	2.37058	2.05538
Dutch Guilder	7.75	2.67000	2.31533
French Franc	10¼	8.05006	6.97262
Italian Lira	11½	1765.20	1530.10
Japanese Yen	5.50	181.116	156.805
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

OTHER CURRENCIES

Jul 17	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.48280 - 0.48310	0.29290 - 0.29300
Luxembourg	60.75 - 60.85	36.75 - 36.85
Malaysia	4.5765 - 4.5845	2.7830 - 2.7850
Mexico	4968.70 - 4973.40	3015.00 - 3016.00
N.Zealand	2.8895 - 2.9025	1.7630 - 1.7650
Saudi Ar	6.1305 - 6.2070	3.7500 - 3.7510
Singapore	2.8815 - 2.8880	1.7510 - 1.7530
S.Af (Cm)	4.7200 - 4.7315	2.8745 - 2.8760
S.Af (Fn)	5.1710 - 5.2540	3.1445 - 3.1950
Taiwan	44.40 - 44.50	27.00 - 27.05
U.A.E.	6.0020 - 6.0790	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.794	-3.62	5.16	63
Italian Lira	1538.24	1530.10	-0.53	1.89	31
Belgian Franc	42.4032	42.3107	-0.22	1.57	16
Sterling	0.696904	0.695682	-0.18	1.53	3
Dutch Guilder	2.31643	2.31533	-0.05	1.40	8
D-Mark	2.05586	2.05538	-0.02	1.37	8
Irish Punt	0.767417	0.768243	0.11	1.24	0
French Franc	6.89509	6.97262	1.12	0.22	-56
Danish Krone	7.84195	7.94772	1.35	0.00	-57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6445 - 1.6530	1.6520 - 1.6530	0.71-0.69cpm	5.08	2.02-1.99pm	4.85
Canada	1.8850 - 1.8975	1.8940 - 1.8950	0.44-0.34cpm	2.47	0.78-0.65pm	1.51
Netherlands	2.9525 - 3.3350	3.3250 - 3.3350	⅝-½cpm	2.03	1½-1⅜pm	1.73
Belgium	60.70 - 61.00	60.75 - 60.85	13-7cpm	1.97	34-24pm	1.91
Denmark	11.4000 - 11.4475	11.4375 - 11.4475	1⅞-1¼orepm	1.64	4⅞-3⅞pm	1.51
Ireland	1.1025 - 1.1085	1.1060 - 1.1070	0.15-0.10ppm	1.36	0.32-0.22pm	0.98
Germany	2.9525 - 2.9625	2.9550 - 2.9600	⅝-½pfpm	2.28	1⅞-1¾pm	1.78
Portugal	252.10 - 255.25	253.70 - 254.70	333-500cdis	-19.66	489-687dis	-9.25
Spain	184.85 - 185.65	185.15 - 185.45	20-28cdis	-1.55	69-79dis	-1.60
Italy	2196.50 - 2204.75	2203.00 - 2204.00	par-1liredis	-0.27	2-3dis	-0.45
Norway	11.5000 - 11.5375	11.5250 - 11.5350	1-¼orepm	0.65	2½-1¾pm	0.59
France	10.0150 - 10.0450	10.0300 - 10.0400	1⅜-1cpm	1.42	3⅝-3⅛pm	1.37
Sweden	10.6725 - 10.7125	10.7025 - 10.7125	⅝-⅛orepm	0.63	1⅜-⅞pm	0.35
Japan	225.50 - 226.75	225.50 - 226.50	¾-⅝ypm	3.65	2-1⅞pm	3.43
Austria	20.76 - 20.84	20.81 - 20.84	3½-2½gropm	1.73	9½-7¼pm	1.60
Switzerland	2.5625 - 2.5725	2.5625 - 2.5725	¾-⅝cpm	3.21	2-1⅞pm	3.02
Ecu	1.4345 - 1.4410	1.4375 - 1.4385	0.19-0.13cpm	1.34	0.43-0.34pm	1.07

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.52-3.47cpm. 12 Month 5.90-5.80cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6445 - 1.6530	1.6520 - 1.6530	0.71-0.69cpm	5.08	2.02-1.99pm	4.85
Ireland†	1.4875 - 1.4940	1.4930 - 1.4940	0.50-0.45cpm	3.82	1.43-1.33pm	3.70
Canada	1.1450 - 1.1470	1.1460 - 1.1470	0.26-0.29cdis	-2.88	0.70-0.75dis	-2.53
Netherlands	2.0140 - 2.0260	2.0145 - 2.0155	0.51-0.54cdis	-3.13	1.56-1.61dis	-3.15
Belgium	36.75 - 37.05	36.75 - 36.85	8.00-10.00cdis	-2.93	24.50-30.50dis	-2.99
Denmark	6.9125 - 6.9525	6.9225 - 6.9275	1.82-2.12oredis	-3.41	5.55-6.15dis	-3.38
Germany	1.7860 - 1.7990	1.7885 - 1.7895	0.44-0.46pfdis	-3.02	1.36-1.39dis	-3.07
Portugal	153.00 - 154.70	153.05 - 153.15	150-220cdis	-14.50	420-520dis	-12.28
Spain	112.00 - 112.75	112.20 - 112.30	61-64cdis	-6.68	181-186dis	-6.54
Italy	1330.50 - 1338.50	1333.25 - 1333.75	5.70-6.20liredis	-5.35	17.50-18.20dis	-5.35
Norway	6.9750 - 7.0075	6.9750 - 6.9800	2.37-2.67oredis	-4.33	7.25-7.75dis	-4.30
France	6.0625 - 6.1025	6.0700 - 6.0750	1.83-1.88cdis	-3.67	5.33-5.43dis	-3.54
Sweden	6.4625 - 6.5075	6.4775 - 6.4825	2.25-2.50oredis	-4.40	7.10-7.55dis	-4.52
Japan	136.60 - 137.25	136.70 - 136.80	0.15-0.17ydis	-1.40	0.47-0.49dis	-1.40
Austria	12.5960 - 12.6525	12.6125 - 12.6175	2.00-4.50grodis	-3.09	7.00-13.00dis	-3.17
Switzerland	1.5500 - 1.5625	1.5530 - 1.5540	0.24-0.27cdis	-1.97	0.70-0.76dis	-1.88
Ecu	1.1425 - 1.1495	1.1475 - 1.1485	0.37-0.35cpm	3.76	1.11-1.07pm	3.80

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11 - 10⅞	11⅛ - 11	11⅛ - 11	11⅛ - 11	10⅞ - 10¾	10¾ - 10⅝
US Dollar	6 - 5⅞	6 - 5⅞	6 - 5⅞	6⅛ - 6	6⅜ - 6¼	6¾ - 6⅝
Can. Dollar	8¼ - 8	8½ - 8¼	8½ - 8¼	8⅝ - 8½	8⅞ - 8⅝	9⅛ - 8⅞
Dutch Guilder	8¾ - 8½	8⅞ - 8⅝	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅝ - 9½
Swiss Franc	7½ - 7¼	7¾ - 7½	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	7¾ - 7½
D-Mark	8¾ - 8⅝	8¾ - 8⅝	8⅞ - 8¾	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼
French Franc	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
Italian Lira	12 - 10	11½ - 10½	11⅜ - 10⅞	11½ - 11	11⅜ - 11⅛	12 - 11⅜
Belgian Franc	8⅞ - 8⅝	8⅞ - 8¾	8⅞ - 8¾	9⅛ - 9	9⅜ - 9⅛	9⅜ - 9¼
Yen	7⅝ - 7⅜	7½ - 7⅜	7½ - 7⅜	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼
Danish Krone	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9¼	9½ - 9⅜	9⅝ - 9½
Asian $Sing	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅜ - 6⅛	6⅜ - 6⅛

Long term Eurodollars: two years 7½-7⅜ per cent; three years 7¾-7⅝ per cent; four years 8⅛-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.652	2.957	226.0	10.03	2.567	3.330	2203	1.894	60.80	1.438
$	0.605	1	1.790	136.8	6.071	1.554	2.016	1334	1.146	36.80	0.870
DM	0.338	0.559	1	76.43	3.392	0.868	1.126	745.0	0.641	20.56	0.486
YEN	4.425	7.310	13.08	1000.	44.38	11.36	14.73	9748	8.381	269.0	6.363
F Fr.	0.997	1.647	2.948	225.3	10.	2.559	3.320	2196	1.888	60.62	1.434
S Fr.	0.390	0.644	1.152	88.04	3.907	1	1.297	858.2	0.738	23.69	0.560
H Fl.	0.300	0.496	0.888	67.87	3.012	0.771	1	661.6	0.569	18.26	0.432
Lira	0.454	0.750	1.342	102.6	4.553	1.165	1.512	1000.	0.860	27.60	0.653
C$	0.528	0.872	1.561	119.3	5.296	1.355	1.758	1163	1	32.10	0.759
B Fr.	1.645	2.717	4.863	371.7	16.50	4.222	5.477	3623	3.115	100.	2.365
ECU	0.695	1.149	2.056	157.2	6.975	1.785	2.316	1532	1.317	42.28	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2598.0	2601.0	2574.0	2588.0
Dec	2638.0			2628.0
Mar				

Estimated volume 7130 (6175)
Previous day's open int. 31882 (31668)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Sep	1121.0	1121.0	1120.0	1123.0
Dec				

Estimated volume 49 (34)
Previous day's open int. 213 (213)

* Contracts traded on APT after trading hours

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6525	1.6455	1.6325	1.6177	1.5938

[illegible]-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6328	1.6332	1.6296	1.6310
Dec	1.6150	1.6160	1.6140	1.6142
Mar	-	1.6020	-	1.6014

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
103	-	-	-	0.09	0.45	-
104	1.48	-	-	0.22	-	-
105	0.78	-	-	0.55	-	-
106	0.35	0.88	-	1.11	-	-
107	0.14	-	-	-	-	-
108	0.05	0.32	-	-	-	-
Open int	150,623	35,102	7,785	106,751	22,184	14,700

Estimated volume 22,076 Total Open Interest 337,145

BASE LENDING RATES

	%		%		%
ABN Bank	11	Comm.Bk.of London Plc	11	McDonnell Douglas Bnk.	11
Adam & Company	11	Co-operative Bank	11	Midland Bank	11
Allied Trust Bank	11	Coutts & Co	11	Mount Banking	11
AIB Bank	11	Cyprus Popular Bk	11	Nat Westminster	11
● Henry Ansbacher	11	Dunbar Bank PLC	11	Northern Bank Ltd	11
B & C Merchant Bank	11	Duncan Lawrie	11	Nykredit Mortgage Bank	12
Bank of Baroda	11	Equatorial Bank plc	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Roxburghe Bank Ltd.	12.5
Bank of Cyprus	11	Financial & Gen. Bank	12	Royal Bk of Scotland	11
Bank of Ireland	11	First National Bank Plc.	14	● Smith & Williamson Secs.	11
Bank of India	11.5	● Robert Fleming & Co.	11	Standard Chartered	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	TSB	11
Banque Belge Ltd	11	Girobank	11	Unibank plc	11
Barclays Bank	11	● Guinness Mahon	11	● United Bk of Kuwait	11
Benchmark Bank	11.5	● Hambros Bank	11	Unity Trust Bank Plc	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Western Trust	11
● Brown Shipley	11	Heritable & Gen Inv Bnk.	11	Westpac Bank Corp.	11
CL Bank Nederland	11	● Hill Samuel	11	Whiteaway Laidlaw	11
Citibank NA	11	C. Hoare & Co.	11	Yorkshire Bank	11
City Merchants Bank	11	Hongkong & Shanghai	11		
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
		Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Short rates firm

A LARGER than expected shortage of day-to-day credit kept short term rates firm on the London money market yesterday. Dealers expected a shortage of around £900m, but this was some £700m below the final figure.

Three-month money was slightly firmer at 11⅛-11⅛ per cent against 11⅛-10⅞, with 12-month funds steady at 10⅞-10¾ per cent.

September short sterling was steady on Liffe. The contract opened at 89.39 and fell to 89.35, before closing unchanged at 89.40.

UK clearing bank base lending rate
11 per cent
from July 12, 1991

Credit was in very short supply on the cash market. The Bank of England initially forecast a shortage of £1,550m, but revised this to £1,600m at noon. Total assistance of £1,481m was provided.

An early round of help was offered and at that time the authorities bought £780m bills for resale to the market on August 9, at 10⅞ per cent. Before lunch £339m bills were bought outright, by way of £90m Treasury bills in band 1 at 10⅞ per cent; £26m bank bills in band 1 at 10⅞ per cent; £4m Treasury bills in band 2 at 10⅞ per cent; and £219m bank bills in band 2 at 10⅞ per cent.

In the afternoon another £257m bills were purchased outright, via £81m Treasury bills in band 1 at 10⅞ per cent; £134m bank bills in band 1 at 10⅞ per cent; £28m Treasury bills in band 2 at 10⅞ per cent; and £14m bank bills in band 2 at 10⅞ per cent. Late assistance of around £105m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £878m, with the unwinding of repurchase agreements on bills absorbing £354m, exchequer transactions £140m, a rise in the note circulation £90m and bank balances below target £90m.

In Frankfurt call money firmed to 8.75 from 8.70 per cent, despite the addition of DM700m to the money market at this week's securities repurchase agreement tender.

The Bundesbank accepted bids totalling DM26.0bn, via DM17.5bn of 28-day funds, mostly at 8.80 per cent and DM8.5bn of 63-day money, mostly at 8.90 per cent. Two earlier pacts, worth a total of DM25.3bn expired yesterday.

The addition of funds may have partly reflected a tightening of liquidity, caused by Friday's heavy central bank intervention on the foreign exchanges, involving the Bundesbank buying D-Marks against the dollar.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 17) 3 months US dollars		6 months US Dollars	
bid 6	offer 6⅛	bid 6⅛	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8½	One month	5.50	Three year	7.29
Broker loan rate	7¾	Two month	5.89	Four year	7.47
Fed.funds	5¾	Three month	5.75	Five year	7.89
Fed.funds at intervention	-	Six month	5.99	Seven year	8.15
		One year	6.29	10-year	8.27
		Two year	6.89	30-year	8.47

July 17	4pm	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.80-8.95	8.85-9.00	8.90-9.05	9.05-9.20	9.00
Paris	9⅛-9⅜	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜	9.25
Zurich	7⅝-7⅜	7⅝-7⅜	-	7⅝-7⅜	-	-
Amsterdam	8.40-8.55	8.85-9.00	-	9.02-9.10	-	-
Tokyo	7⅞-7⅞	7⅜-7⅜	-	7⅜-7⅜	-	-
Milan	10⅞-11	11⅛-11⅜	-	11⅛-11⅜	-	-
Brussels	8⅝-8⅞	8⅞-8⅞	-	9⅛-9⅛	-	-
Dublin	9-9⅛	9⅞-9⅞	9⅞-10	9⅞-10	9⅞-10	-

LONDON MONEY RATES

Jul 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11⅛	11⅛	11⅛	11⅛	10⅞	10⅞
Interbank Bid	10⅞	10⅞	11	11	10¾	10⅝
Sterling CDs	-	-	11⅛	11⅛	10⅞	10¾
Local Authority Deps.	10¾	11⅛	11	11	10⅞	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10⅞	10⅞	10¾	10½	-	-
Company Deposits	-	-	11⅛	11⅛	10⅞	10⅞
Finance House Deposits	-	-	10⅞	10⅞	10¾	10⅞
Treasury Bills (Buy)	-	-	10⅞	10½	10⅛	-
Bank Bills (Buy)	-	-	10⅞	10⅝	10¼	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	6.02	6.08	6.35	6.73
SDR Linked Dep. Offer	-	-	7⅞	7⅞	7⅞	8
SDR Linked Dep. Bid	-	-	7⅝	7⅝	7⅝	7⅝
ECU Linked Dep. Offer	-	-	9⅝	9⅝	9⅞	10
ECU Linked Dep. Bid	-	-	9⅝	9⅝	9⅞	9⅞

Treasury Bills (sell); one-month 10⅞ per cent; three months 10⅞ per cent; six months 10 per cent; Bank Bills (sell): one-month 10¾ per cent; three months 10⅞ per cent; Treasury Bills; Average tender rate of discount 10.4839 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 28, 1991. Agreed rates for period July 24, 1991 to August 25, 1991, Scheme I: 12.50 p.c., Schemes II & III: 12.53 p.c. Reference rate for period June 1, 1991 to June 28, 1991, Scheme IV&V: 11.295 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ from July 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 10 per cent; three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7½ per cent from July 15, 1991, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

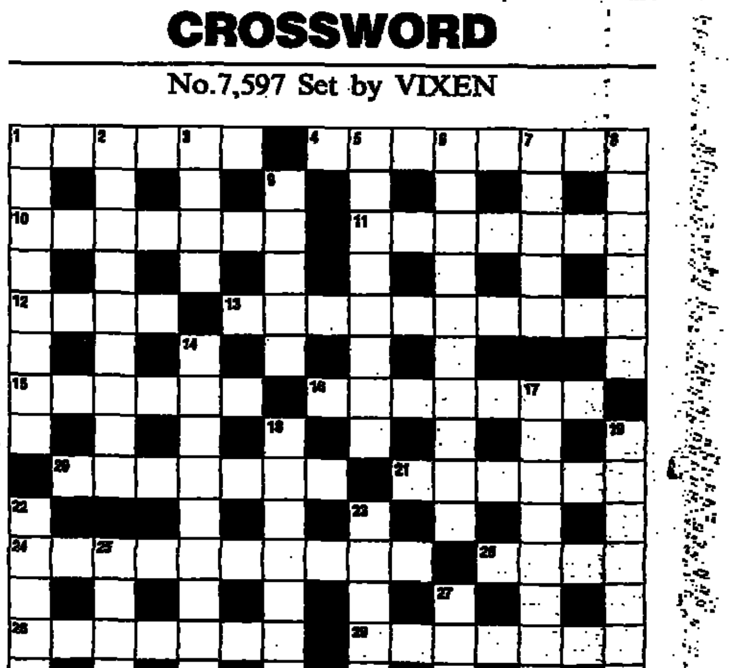
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

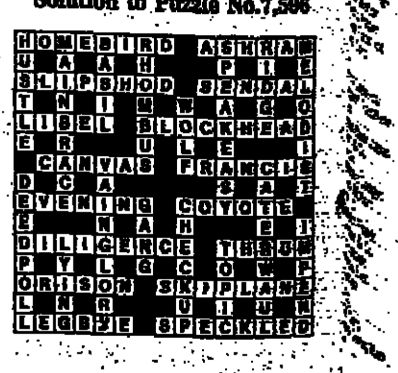
No.7,597 Set by VIXEN



ACROSS
1 Many a minister is a worm (6)
4 Tot left in flight – it's staggering! (8)
10 This could make an islet outstanding (7)
11 The fool retired and the wise man's going (7)
12 A girl takes one in without reason (4)
13 Doesn't forget about prayers (10)
15 Romans required money to get free (6)
16 Mark's quite rough-and-ready (7)
20 Play for a group of schoolchildren (7)
21 Written when incarcerated? (6)
24 Regard a riot in mad fashion (10)
26 A way the old-fashioned make personal complaint (4)
28 Forced revolutionaries to produce wine (7)
29 Inadequate, as is well known (7)
30 Dispatch in which military men scoffed about support (8)
31 The thing is to protest (6)

DOWN
1 Constituents see charm as material (8)
2 Sporting note a union's written (9)
3 Thought little short of perfect (4)
5 Move towards a very soft kind of fish (8)
6 Ladies sped off, being annoyed (10)
7 A guy only partially paying his Visa account (5)
8 Pleasant-sounding rock (6)
9 Control the beast! (5)
14 Keep coming outside as there's cheering (10)
17 An officer of the law looks over the record (9)
18 Professional disquisition to drag out (8)
19 Man being embraced by exceptionally ardent fan (8)
22 A golfer practising sleight-of-hand? (6)
23 Well-argued report (5)
25 The doctor guided back for example (5)
27 Cut some of the best, absurdly enough (4)

Solution to Puzzle No.7,596



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

12:45 am prices July 17

Quotations in cents unless marked $

[illegible]

MONTREAL

12:45 am prices July 17

[illegible]

2200 Videotron $13⅞ 13⅞ 13⅞ +⅛

Total Sales 7,325,500 shares

INDICES

NEW YORK

DOW JONES	July 16	July 15	July 12	July 11	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
¶Industrials	2983.90	2990.61	2980.77	2959.75	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.26	94.26	94.24	94.09	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1205.57	1207.69	1208.39	1213.50	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	198.50	198.76	198.06	196.87	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

¶Day's High 3012.52 (3007.38) Low 2962.88 (2965.79)

STANDARD AND POOR'S	July 16	July 15	July 12	July 11	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	381.54	382.39	380.25	376.97	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	455.02	455.92	453.65	449.55	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.45	30.46	29.78	29.41	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	209.12	209.39	208.16	206.54	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	365.53	365.78	364.14	361.84	373.40 (18/4)	296.72 (14/1)	397.83 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	493.60	496.19	492.71	488.37	511.91 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	July 12	July 5	June 28	year ago (approx.)
Dow Industrial Div. Yield	3.08	3.14	3.16	3.62

	Jul 10	Jul 3	Jun 26	year ago (approx.)
S & P Industrial div. yield	2.79	2.81	2.83	2.96
S & P Indl. P/E ratio	18.89	18.77	18.68	16.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJ Nabisco	3,479,100	11⅝	+ ⅛
Pepsico	3,132,600	30⅛	+ ½
Triton	2,520,600	29⅝	+ 4⅝
Chem Bank	2,344,800	25⅛	- 1
Marvel Ent	2,291,700	18⅛	—
IBM	2,198,900	96¼	- 2½
Warner-Lam	1,970,800	68¼	- 1⅞
Adv Micro	1,962,200	11⅞	- 1⅛
Amacomp	1,870,100	4½	+ ⅛
Blockbuster	1,856,300	9⅞	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	July 16	July 15	July 12
New York SE	182.740	159.340	173.060
Amex	11.317	10.284	9.351
NASDAQ	156.947	137.953	155.467
NYSE			
Issues Traded	2,085	2,050	2,068
Rises	823	989	1,016
Falls	754	600	499
Unchanged	508	461	553
New Highs	81	95	76
New Lows	13	4	18

CANADA

TORONTO	July 16	July 15	July 12	July 11	1991 HIGH	1991 LOW
Metals & Minerals	3268.08	3219.27	3210.40	3189.36	3284.18 (5/3)	2632.06 (9/1)
Composite	3535.45	3526.90	3516.34	3507.89	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1886.41	1879.82	1873.61	1868.19	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 17	July 16	July 15	July 12	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1542.2	1541.2	1539.2	1531.9	1558.3 (29/4)	1284.5 (16/1)
All Mining (1/1/80)	684.6	683.6	682.1	679.0	698.0 (10/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	488.77	492.59	492.38	491.74	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1143.31	1146.47	1146.82	1150.24	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	379.46	380.01	379.74	378.97	380.81 (16/7)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	976.5	978.6	975.8	983.8	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	465.13	467.36	466.52	468.32	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1758.11	1755.51	1759.77	1754.29	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	680.45	687.24	688.05	689.92	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1916.60	1936.8	1938.8	1944.2	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1625.51	1643.85	1646.57	1644.76	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3962.46	3997.67	3945.12	3935.17	3997.67 (16/7)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1367.34	1370.11	1352.74	1341.40	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	551.11	559.90	564.28	567.26	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23860.78	23375.15	23459.04	23137.78	27146.91 (18/3)	22176.17 (8/7)
Tokyo SE (Topix) (4/1/68)	1804.32	1822.70	1829.66	1805.53	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3126.82	3145.45	3144.53	3125.91	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	586.42	595.28	594.25	598.60	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	279.8	280.0	278.5	276.5	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	199.4	199.5	198.5	197.0	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	763.84	770.63	772.56	772.44	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	978.39	993.22	993.91	990.25	1183.40 (29/5)	582.64 (18/1)
SINGAPORE						
SES All-Singapore (2/4/75)	392.32	394.95	395.18	396.34	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1380.0§	1371.0	1385.0	1358.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4012.0§	3996.0	3976.0	3948.0	4036.0 (10/7)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	636.14	635.21	631.78	697.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	269.19	270.80	267.36	267.36	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1140.40	1147.90	1144.8	1146.8	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	764.7	767.2	765.3	762.6	767.2 (16/7)	590.4 (14/1)
SBC General (1/4/87)	633.2	633.2	631.3	628.8	658.8 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5225.76	5173.75	5280.19	5327.10	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	654.45	677.44	677.83	674.71	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	495.0*	496.8	497.3	492.3	529.2 (17/4)	439.1 (16/1)

**Saturday July 13: Taiwan Weighted Price: 5412.23 Korea Comp Ex. 636.50.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed, (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 17 July 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kitano Const.	7.4m	2,310	-30	Victor	3.8m	1,850	0
Hitachi Zosen	6.1m	805	-5	Mitsumi Electric	3.6m	1,800	-60
Clarion	4.0m	1,100	-60	Mitsui OSK	3.4m	515	-15
Minebea	4.0m	829	-13	NTN	3.2m	694	-15
Takuma	3.9m	1,170	-60	Nihon Nohyaku	3.0m	1,800	-100

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12:45 am prices July 17

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	9¼	AAR Corp	0.48	0.03	16	240	15½	15¼	15⅜	
18¾	14½	A L Labs A	0.16	0.01	18	20	16½	16⅜	16½	+⅛
56½	40⅞	AMP Inc	1.44	0.03	20	509	53⅛	52¾	53	
68⅝	44¼	AMR				184534	62⅞	61¼	61⅞	-2⅛
2⅝	1¼	ARX			1	3	1⅜	1⅜	1⅜	
56	41½	ASA	3.60	0.06	15	489	53½	52⅞	53½	+⅝
54	38¼	Abbott Lab x	1.00	0.02	21	1330	51⅝	51	51	-⅜
14½	9⅞	Abitibi Pr x	0.50	0.04	28	20	13⅞	13⅞	13⅞	
11⅝	10¾	ACM Gvt In x	1.26	0.11		230	11¼	11⅛	11⅛	
9⅝	8¾	ACM GvOpp x	1.01	0.11		161	9¼	9⅛	9⅛	-⅛
9¼	8¼	ACM Gvt Sp	1.01	0.11		204	9	8⅞	9	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		187	10⅞	10⅝	10⅝	-⅛
8½	7⅝	ACM Man x	1.01	0.12		130	8¼	8⅛	8⅛	-⅛
12⅞	11½	ACM Mangd x	1.35	0.11		153	12⅛	12	12⅛	
7½	4⅜	Acme Cleve	0.40	0.06	15	40	6⅜	6⅝	6⅝	+⅛
8	3½	Acme Elect			38	10	3⅞	3⅞	3⅞	
40	22¼	Acuson			25	157	33¾	33⅝	33⅝	-⅛
18½	14¼	Adams Expr	0.48	0.03	0	49	18⅝	18¼	18⅝	+¼
20⅛	18	Adobe12Pf	2.40	0.13		69	18½	18⅜	18⅜	+⅛
9¼	6¾	Adobe Res			20	20	7	7	7	+⅛
38⅛	18	Ad Micro				124	34⅞	34¼	34¼	-½
14¼	4⅝	Ad Micro P	3.00	0.26		134798	11⅞	11½	11⅝	-¼
5⅛	2¼	Advest Grp	0.16	0.04	5	15	4⅜	4⅜	4⅜	
49⅛	33⅞	Aetna Lf	2.76	0.06	8	1267	43	42⅛	42½	-½
10⅝	6⅝	Affil A	0.24	0.03	35	32	8⅞	8⅞	8⅞	
20⅛	12	Ahmanson	0.88	0.05	10	281	17⅞	17⅝	17⅝	-⅛
12¾	2⅞	Aileen Inc			15	171	12	11⅛	11½	-⅝
74½	51⅛	Air Pr Chm	1.44	0.02	15	316	66¾	65½	65½	-⅛
28⅝	16⅝	Airbne Frt	0.30	0.01	15	34	26⅛	25¾	25⅞	-⅛
18⅞	12½	Airgas Inc			69	61	15	14⅝	14⅝	
15¼	10	Airlease	2.29	0.18	6	9	12½	12¼	12½	

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60¼	35¼	Xerox x	3.00	0.05	10	1280	57¼	56¾	57⅛	+⅛
51	43¼	Xerox4.125 x				6	u51	50½	51	
21¼	14⅛	Xtra 1.94				65	20¼	20	20	
24⅞	14¼	Xtra Corp	0.72	0.03	234	7	23¾	23½	23½	
24¼	21¾	Yankee Egy	1.60	0.07	12	45	22¼	22⅛	22¼	+¼
1½	⅝	Zapata			0	179	⅞	¾	¾	
9⅝	6⅛	ZenithElec			2	25	6¾	6⅜	6¾	−⅛
18½	12	Zenith Nat	1.00	0.05	75	4	18¼	18¼	18¼	
6¼	4½	Zenix Inc x	0.84	0.14		69	6⅛	6	6⅛	
15⅛	10⅞	Zero Corp	0.40	0.03	15	64	14⅞	14⅝	14⅝	−⅛
41⅝	29½	Zurn Ind	0.88	0.02	15	147	37¼	36⅞	37¼	+¼
13½	10¼	Zweig Fund x	1.12	0.09		101	12⅝	12½	12⅝	+⅛
10	8½	Zweig Tot x	0.96	0.10		501	u10	9⅞	9⅞	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

12:45 am prices July 17

NASDAQ NATIONAL MARKET

12:45 am prices July 17

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		34	895	24½	24	24	−⅜
XL Data		20	2774	10½	9	9¾	−½
Xoma Corp		13	1850	25¾	24¾	25½	−¼
Yellow Fr	0.94	14	442	28¾	28¼	28¾	+½
York Rsch		17	1317	18	16¾	18	+1
ZionsUtah	1.44	8	9	41½	40¾	41	−½

AMERICA

Inflation data and housing figures exert two-way pull

Wall Street

WORRYING inflation news *and encouraging housing figures* exerted a two-way pull on market sentiment yesterday morning. By early afternoon, *share prices languished close* to opening values, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was up 6.93 at 2,990.83. The more broadly based Standard & Poor's 500 was also slightly firmer, up 0.82 at 382.36, while the Nasdaq composite of over-the-counter stocks ran into further profit-taking, easing 1.08 to 492.49. Volume was 120m shares by 1 pm, heavy by recent standards.

The bad news at the opening was a larger-than-expected 0.4 per cent increase in the core (excluding food and energy) consumer price index for June. After last week's promising producer *prices data, analysts* had been hoping for a similar story on consumer inflation. Yesterday's figures, however, *revived concern that the Federal* Reserve might have to raise interest rates, rather than cut them again, to *stem inflationary pressures.*

The good news was the 5.2 per cent climb in June housing starts. It was the third consec*utive monthly increase in the* data, which are regarded as a useful leading indicator of economic activity. The housing *figures can be added to a host* of recent data that suggest the economy is pulling away from recession.

Among individual issues, second-quarter earnings continued to dominate. Coca-Cola rose $1⅛ to $58¼ after the soft-drinks group reported a rise in profits to 72 cents a share.

Philip Morris fared less well, dropping $1½ to $66¾ on volume of 1.4m shares in spite of a 21 per cent improvement in second-quarter profits to $1.15bn. The shares had been well bought ahead of the figures, and were depressed by rumours that the company is planning a major foreign acquisition.

AMR, the parent company of American Airlines, fell $2⅛ to $61¾ after the carrier reported net profits of $10m, down from *$129m in 1990. The figures* included an after-tax charge of $11m.

Other big airline stocks fell *in sympathy, with Delta down* $1⅞ at $73½ and UAL $2⅛ lower at $141⅝.

Two of the day's biggest winners were Owens-Corning, up $2⅝ at $29⅝ after recovering from a first-quarter loss to post a profit of $15m in the second *three months, and* Triton Energy, which rose another $1⅝ to $31⅝ as Salomon Brothers boosted its estimates *of reserves at Triton's Colom*bia oilfields.

Among over-the-counter stocks Intel slipped $1 to $44¾ on 3.4m shares as the market reacted badly to the computer group's second-quarter profits of $1.10 a share.

Microsoft were also lower, down $1¼ at $66¼ on the news that the company is to restructure its international operations.

Canada

TORONTO midday stocks were higher in minimal volume. Traders were on the sidelines ahead of Canada's consumer price index for June, due tomorrow. *The* composite index was up 10.95 on volume of 8.77m shares. Advances led decliners by 188 to 176 with 251 *unchanged.*

Among active shares, Laidlaw rose C$⅜ to C$13⅜. Gulf Canada Resources added C$⅜ *to C$9¼ on firmer crude oil* prices, helping to push the oil index up 21.37 to 3,696.20.

Among metals and miners, Lac Minerals was up C$⅛ at C$10, American Barrick down C$¼ at C$27 and Sherritt Gordon C$¼ lower at C$7¼.

EUROPE

Individual stocks enliven trading on the Continent

INDIVIDUAL stocks enlivened trading yesterday, as bourses closed little changed, *writes Our Markets Staff.*

PARIS ended barely changed but at its day's high, as the action focused on a few stocks. The CAC 40 index rose 2.60 to 1,758.11 in FFr1.6bn turnover, after Tuesday's FFr1.9bn.

Accor, the hotel group, dropped FFr30 or 3.9 per cent to FFr745 on reports of brokers' downgradings, but dealers described the selling as an overreaction.

Total, the oil company, rose FFr27 or 3.3 per cent to FFr857 after the recent oil find in Colombia, in which it has a 20 per cent stake. One analyst said that initial estimates of reserves were of 1bn barrels, but the talk was now of 3bn barrels, which could raise Total's reserves by one-third.

BP France plunged FFr8.90 or 7.5 per cent to FFr110 in light volume. The analyst said that it could be suffering from the same bearish attitude to petrochemicals which hit Elf Aquitaine on Friday. Elf rose FFr1.20 to FFr340 yesterday *but was still below Thursday's* close of FFr354.20.

Cap Gemini Sogeti rose FFr17.60 or 5.5 per cent to *FFr335.90 after last week's* news of talks with Daimler Benz of Germany. But SAE shed FFr29 or 2.5 per cent to *FFr1,145 as speculation waned* after Tuesday's news that Mr Michel Pelège, the property developer, was selling most of *his stake.*

AMSTERDAM was stirred from its summer lethargy by some interesting stories. The CBS Tendency index eased 0.2 to 93.7 in turnover of Fl 551m.

Heineken, the brewer, rose Fl 3.30 or 2.2 per cent, to Fl 155.10 on speculation that it might be taken over by Philip Morris, the diversified US tobacco group.

The building sector continued to attract attention on hopes that Dutch dredging groups would contracts to build Hong Kong's new airport. HBG added 70 cents to Fl 238.20 while Boskalis eased Fl 1.20 to Fl 22.50 on profit-taking.

In the paper sector, KNP was 20 cents higher at Fl 54 on hopes of good first-half results.

MADRID's turnover picked up to Pta11bn from Pta9.9bn, as the general index eased 1.87 to *268.93.* Vallehermoso, the property company, gained Pta105 or 3.5 per cent to Pta3,130 on good volume on the news of a co-operation agreement and asset swap with Prima Inmobiliaria, which rose Pta150 or 2.4 per cent to *Pta6,500.*

Fecsa rose Pta10 to Pta742 in active trading, on reports that Endesa was seeking to acquire *the 13 per cent stake owned by* Hidrola and Iberduero.

OSLO fell on speculation that Norsk Hydro's first-half *results, due on July 25, would* be disappointing. The all-share index declined 4.76 to 502.11 in turnover of NKr204m. Hydro *fell NKr4 to NKr192.5.*

FRANKFURT's volume stayed weak, edging up from DM3.8bn to DM4.3bn. Some traders sold short after the easier close in Tokyo, and the DAX index closed 18.34 lower at 1,625.51 after a 6.79 fall to 680.45 in the FAZ.

Sentiment was affected by a television interview with Mr Norbert Walter, chief economist of Deutsche Bank, who said that the D-Mark was in uncertain territory and that an interest rate rise by the Bundesbank was still likely some time this year.

Dresdner Bank raised its weighting for the chemicals sector from 13 to 16 per cent of a model portfolio. The grounds were the industry's status as a dollar earner, economic recovery prospects in the second half, and the view that the current low in industry earnings forms a basis for improvement.

The bank brought its automotive weighting down from *15 to 13 per cent, saying that* the new order position was deteriorating.

MILAN recovered from opening losses of up to *3* per cent, as nearly one third of the stocks went ex dividend. The Comit index fell 8.79 to 551.11 in volume of *L110bn to L120bn* after Tuesday's L184bn.

Fiat, which paid a dividend of L370 per ordinary share, was *officially fixed at L5,799, down* a net L31, before slipping to L5,770 after hours. Generali, ex dividend of L350, fell a net L90 *to L30,710.*

Cementir, the state-controlled cement group, was suspended following confirmation that IRI, the giant state holding, will sell its stake.

STOCKHOLM slipped in dull holiday trade. The Affärsvärlden General index fell 7.5 to 1,140.4, as turnover fell to SKr212m from SKr330m. Astra, the pharmaceutical group, dominated again, accounting for roughly a third of turnover. Profit-taking pulled Astra's B shares down SKr6 to SKr679.

HELSINKI's Hex index fell 2.1 to 976.5 on turnover of FM18m, up from FM16.6m. Free shares, which made up FM8.8m, rose slightly on share swaps. *Pohjola's* free Bs were the most traded shares, rising FM6.5 to FM81.5.

FT-SE Eurotrack 100 - Jul 17

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1105.54	1105.11	1103.38	1103.53	1103.83	1103.48	1104.33	1104.80

Day's High 1105.61 *Day's Low 1101.91*

Jul 16	Jul 15	Jul 12	Jul 11	Jul 10
1110.41	1111.59	1107.36	1109.88	1109.33

Base value 1000 (26/10/90)

Hong Kong zigzags up a difficult summit

Angus Foster reports on the erratic climb of the Hang Seng towards the 4,000 level

HONG KONG stock exchange officials had scarcely finished toast*ing each other after the Hang* Seng index reached an all-time high on Tuesday, when they were faced with a 50-point fall *during trading yesterday. The* index revived slightly to close down 35.21 at 3,962.21.

Yesterday's fall was caused by speculation that two small banks were in trouble following the closure of Bank of Credit and Commerce (Hong Kong). Both banks have strongly denied the rumours.

Worries about the banking sector may be short-lived, but they show the continued volatility of the Hong Kong market. The drop in share prices yesterday seemed to undermine the previous day's predictions that Hong Kong would quickly consolidate above the 4,000 level. The index briefly passed this level on Tuesday, before *the index fell back to its record* close of 3,997.67.

Hong Kong's market has a habit of proving the forecasters wrong. In the four years since the previous record high, *achieved weeks before the* global stock markets crash in October 1987, the index has often rallied strongly only to *fall back again, frequently on* bad news about China.

But in the last three months the index has risen steadily, as a number of question marks over the colony have been removed. The most important was the recent agreement between the UK and China over the building of a new airport in Hong Kong.

There are hopes that inflation has now peaked, after reaching 13.9 per cent in April, and analysts are more optimistic that the US will extend the most favoured nation (MFN) status to China. If these two conditions are met, they say the market could establish a new trading level at around 4,150 on the Hang Seng index within the next couple of months, and possibly even 4,500 by the end of the year.

"From most points of view the market is a lot cheaper now than it was in 1987. Looking at the fundamentals, everyone should be quite comfortable," according to Mr Richard Margolis, joint managing director at Smith New Court Far East.

Property stocks have led the recent gains, as activity in the small to medium residential sector has continued. Property analysts are now hopeful that the airport agreement will rekindle interest in the long-depressed luxury sector, as expatriates come to Hong Kong to take up jobs related to the airport project. At a government land auction yesterday, prices were above forecasts and news of the results helped lift the index above its afternoon low.

Property shares are likely to remain the market leaders. Commercial and industrial stocks are vulnerable to the progress of the MFN debate, which is set to rumble on over the next month. They would be worst affected if the MFN status was withdrawn.

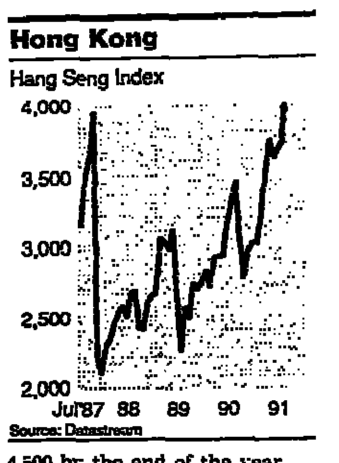
The financial sector will be affected by worries over the banks. Hongkong Bank's shares have been under pressure in the last week owing to *pessimism about its loss-making* US arm, Marine Midland, which releases quarterly *results later this month.*

Nevertheless, regional fund management houses have been re-rating Hong Kong in relation to other *Asian markets.* Because of positive sentiment on falling interest rates and inflation, Hong Kong's historic *earnings multiple of 13 times is* seen as cheap by regional standards.

Wardley Investment Services, a *subsidiary of the Hong*kong Bank with more than US$1bn under management in the region, has lifted Hong *Kong's weighting in its portfo*lios from 34 per cent to 40 per cent in the last six months. Others, such as Fidelity Invest*ments, report strong interest in* their Hong Kong unit trusts since the airport agreement.

Amid all the optimism, however, Hong Kong's *return to* China in 1997 will throw up new and ever more complex problems. If the index is going to climb much further, its ascent will be anything but smooth.

Hong Kong



ASIA PACIFIC

Nikkei falls as investors lose appetite for stock

Tokyo

LIGHT SELLING depressed share prices yesterday, as investors' appetite for stocks waned on the lack of positive news, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell 314.45 to 23,060.70, after opening at a high of 23,307.64 and hitting the day's low of 23,047.37 in the afternoon.

Some foreigners and investment trusts were seen selling holdings, but volume slackened to 220m shares from 300m, owing to overall lack of institutional interest.

Losses outnumbered gains by 480 to 443, with 194 issues remaining unchanged. The insurance sector was the only one out of 35 to gain yesterday.

The Tokyo Stock Exchange said that long arbitrage positions held on September futures contracts increased by 20m shares or Y36bn in the week of July *8-12 to a total* 1.03bn shares worth Y1,121bn.

Rising arbitrage positions are causing concern among market participants, owing to fears that positions will not be rolled over in September on to December futures contracts. *Speculation that components* of the Nikkei average will be reshuffled is adding to nervousness over the supply and *demand situation of stocks.*

Although some companies are postponing their equity-linked financing, an estimated *total of Y800bn worth of new* debt for this month is expected to depress share prices. "The sluggishness due to oversupply *will probably continue through* to mid-September," said Mr Charles Lambert at Jardine Fleming Securities.

International blue chips lost ground, as share prices failed to find support on the absence of foreigners. Foreign investors turned net sellers once again. Sony fell Y80 to Y6,120 and TDK lost Y120 to Y6,130.

Ishikawajima Harima Heavy Industries fell Y24 to Y613 on continuing concerns over its deposits at BCCI.

Toyo Umpanki, an industrial machine maker, fell by its daily limit of Y100 to an offer price of Y785. Investors rushed to place sell orders following reports that the company was linked to an alleged purchase of industrial secrets stolen from Komatsu, the construction machinery maker. The stock did not not trade owing to a lack of buyers.

Real estate issues were lower on reports that the finance ministry would continue to monitor city banks' lending to non-bank financial institutions. Mitsubishi Estate fell Y70 to Y1,310 and Mitsui Real Estate Y10 to Y1,360.

Atsugi Nylon Industrial, a leading tights company, fell Y43 to Y900 on forecasts of an 11 per cent decline in operating profits for the current year. The company faces increasing competition in the support pantyhose market.

Speculative issues were lower on profit-taking. Kitano Construction, the most active *issue of the day, fell Y30 to* Y2,310, and Minebea, the bearing company which rose sharply on Tuesday, declined Y13 to Y829.

In Osaka, the OSE average fell 240.29 to 26,126.80 on volume of 18.3m shares, down from 26.4m. In dull trading issues fell across the board.

Roundup

THAILAND and Malaysia led declines in the Pacific Rim yesterday. Seoul was closed.

BANGKOK plunged across the board on panic selling, amid fears that prices would fall further and commercial banks might increase interest rates again. The SET index fell 22.99 or 3.4 per cent to 654.45 on thin turnover of Bt2bn.

KUALA LUMPUR fell 1.5 per cent, depressed by international markets and rumours of an investigation into insider trading. The composite index fell 8.86 to 586.42 in thin volume of 30.5m shares up from 28m.

AUSTRALIA was stuck in a narrow range throughout the day. TNT, the transport group, *fell again to a day's low of 64* cents, before finishing 8 cents down at 67 cents. The stock has lost 24 cents since Austra*lian Ratings downgraded its* long-term debt rating on Thursday last week.

Pacific Dunlop lost another 8 cents to A$5.02. It has lost 24 cents since announcing a bid for Petersville Sleigh on Monday.

The All Ordinaries index rose 1.0 to 1,542.2 in turnover of A$214m, up from A$171m.

NEW ZEALAND digested the r sults of the initial public o..ring of shares in Telecom Corp and waited for the listing of the stock that was due to take place at 1300 GMT. The stock exchange was opening for a special night session at 1.00am local time today to coincide with the start of trading in New York.

That special session was due to extend into today's regular trading, so many participants were absent yesterday. The NZSE-40 Index closed 4.80 higher at *1,485.72.* Turnover eased to NZ$14.2m from NZ$19.5m.

Traders welcomed news that *the initial Telecom offer had* been expanded by 50 per cent to 630m shares, or 27 per cent of Telecom's capital. The stock *will be issued at NZ$2.00.*

Carter Holt Harvey was the day's most notable advancer. It rose 6 cents to NZ$1.90 on volume of 320,000 shares after news that it was considering spinning off its Australian scrap metal unit Simsmetal.

TAIWAN rose in a technical rebound after the previous day's fall, but trading was thin. The weighted index rose 52.01 to 5,225.76, following Tuesday's 109-point slump. Turnover declined to T$18.6bn from T$26.6bn.

SINGAPORE weakened, with the Straits Times Industrial index down 10.37 at 1,454.99 on volume of 35m *shares, up from* 32m.

MANILA fell in thin trading before today's planned national strike. *The composite index* declined 14.83 to 978.39 in turnover of 73.1m pesos after 99.3m.

BOMBAY rose again on expectations that tax rises in the July 24 fiscal budget would be lower than previously *feared. The BSE index added 10.79 to 1,442.54.*

The market is closed today to enable brokers to complete business done in the two weeks *ended yesterday.*

SOUTH AFRICA

JOHANNESBURG ended higher, buoyed up by a softer financial rand. The all-gold index rose 9 to 1,380 while the industrial index edged back over the 4,000 mark to end 16 higher at 4,012. The all-share index climbed 15 to 3,478.

BUSINESS LAW

EC acts on insider dealing

By Thomas Conlon

AFTER A number of false starts, *the* European Community has finally adopted its draft directive on insider dealing. Member states have until June 1992 to incorporate it into national law.

In theory, after June 1 1992, the EC will have put in place minimum community-wide standards to combat insider dealing. In a single stroke it will have co-ordinated the rules on this important subject and it will have made insider dealing a statutory offence (be it criminal, civil or administrative) in a surprising number of countries for the first time.

One loud cheer can be heard from those who feel that the global dimension of this illegal practice has been largely overlooked by the international community. The Ivan Boesky case in the US, which led to the Guinness trials in the UK, is a clear indication of the international dimension of the problem.

The EC directive goes some way in raising the spectre of European co-operation against the likes of Mr Boesky. Can the European equivalent to the US Security and Exchange Commission's "security cops" be far behind? After watching the slow evolution of the EC directive on insider dealing the answer is yes.

The provisions of the directive bear a remarkable similarity to the UK's Company Securities (insider dealing) Act 1986 (the "insider dealing act") which is often described as the *leading legislation on this sub*ject in Europe.

Those familiar with the British legislation do not need to be reminded of the pitifully few successful prosecutions that have been undertaken under the umbrella of insider *dealing legislation in the 10* years of its existence (the provisions of the "insider dealing act" were originally enshrined *in the Companies Act 1980).*

The fact that the directive is, to a large extent, a mirror of the UK act, may not be taken by some as a good sign. On the other hand, others will be quick to list those EC states that lack adequate (and, in some cases, *any*) statutory restraints against insider dealing.

To them the directive is progress – even a big step towards the creation of a European securities market. Considering the wide range of approaches employed in Europe, it is not surprising that controversy has surrounded the protracted birth of this legislation.

Looking at the directive itself, it covers only five pages of text and contains a mere 15 articles.

Like the British legislation, it creates two classes of insiders: the primary insider and the secondary insider (or the "tipper" and the "tippee"). It also defines "inside" information as information which (1) has not been made "public"; (2) is of precise nature; (3) pertains to transferable securities (traded options); and (4) if it were made public would likely have a "significant effect" on the price of the securities. All of which is broadly similar to the British legislation. Also, like the UK legislation, the directive appears to be targeted at "individuals" and not their company.

However, unlike the British law, the EC directive does not make insider dealing a criminal offence (which some might argue is not a bad thing as criminal verdicts require a higher burden of proof than civil proceedings and this may be one of the chief reasons why there have been so few successful prosecutions in the UK).

The directive leaves it up to each member state to determine the penalty to be applied for infringement. However, it stresses that the penalties should be sufficient to promote compliance with the directive's measures. In effect, it is open to each country to determine whether they wish to employ criminal sanctions, civil penalties, administrative measures or a combination of penalties.

Presumably the EC opted for this approach in order to facilitate the adoption of the directive.

Although there are marked similarities between the directive and existing British legislation, there are a number of *provisions which are different* from the British legislation and which may require the UK act to be amended. Briefly, the definition of primary insiders under the directive is broader and would appear to include within its scope certain individuals not caught by the UK law.

Also, the definition of secondary insider could cause some problems as it defines the "tippees" as individuals "with full knowledge of the facts where the source of the information could only be a primary insider". This would appear to exclude those "tippees" who trade on the recommendation of the primary insider without having full knowledge of the facts.

I suspect that many, if not most, secondary insiders or "tippees" deal on the recommendation of the primary insider without "full" knowledge of the facts. Whether this is a conspicuous loophole remains to be seen.

The directive will also establish throughout the EC the duty of companies to "disclose" inside information. Specifically, issuers of securities will have the duty of continuous and timely disclosure of any *circumstance or decision* which would be likely to have a significant effect on the price of the securities.

Obviously such a requirement could cause problems: first, what constitutes qualifying information or circumstance or decision that requires disclosure; second, when, and at what stage of negotiations or discussions, does the obligation arise? With regard to the latter question, is it after the *decision is* made or when it is being seriously considered, or possibly when the proposal is reviewed at board level? Clearly, guidelines from the EC would be helpful.

Further, the directive requires timely disclosure to a designated member state authority, the so-called "competent authority". An aspect that may cause problems is that companies usually enter into negotiations pursuant to a confidentiality agreement which prohibits disclosure.

What if the company elects not to disclose the confidential, price sensitive information to the competent authority (eg, the UK Department of Trade and Industry)? Can the DTI take action against the company or entity for non-disclosure after the transaction comes to light?

To some degree the EC directive anticipates the problem by providing that if disclosure would prejudice the company/entity's legitimate interest, the issuer shall immediately inform the competent authority who *may* relieve the issue (company/entity) of the obligation to disclose *to the public.*

It seems likely that regardless of existing London Stock Exchange Yellow Book requirements on the subject, the company's disclosure requirements will be increased and the member state's competent authority will have greater access to price sensitive, confidential information.

Who will be the designated competent authority for the UK? Three obvious candidates come to mind: the DTI; the Securities and Investment Board; or possibly, the London Stock Exchange.

In addition to establishing the concept of a competent authority, the directive also envisages the introduction of greater investigatory powers for the various competent authorities and further provides for the safeguard of the confidentiality of the information disclosed to them.

The UK, as a result of Section 177 of the Financial Services Act, seems well placed with regard to investigatory powers and may not have to make many changes to existing legislation in order to comply with the directive's requirements in this aspect.

Finally, the all important subject of international co-operation is both mentioned in the preamble to the Insider Dealing Directive and in Article 8(3). The directive underlines the need for co-operation between the member states as well as with other *international bodies.*

Article 9 of the directive provides for the confidentiality of information exchanged with other member *states'* competent authorities and international organisations and further provides that the said information shall not be disclosed except for the purposes of investigating and prosecuting insider dealings.

The directive is thus a minimum standards measure which will establish insider dealing as a community-wide offence, be it criminal, civil or administrative, and will put in place a regime which should allow greater inter-community and international co-operation in pursuing and prosecuting cases of suspected insider transactions.

Although the sophisticated insider dealer can still run and can still hide (and still make profits) he will, as a result of the EC's recent action, find himself up against a slightly better organised adversary.

The author is director of legal services for City Fund Managers, Henderson Administration. Previous articles in this series by Mr Conlon were published in the FT on 27 July 1989, 7 September 1989, 1 February 1990 and 8 February 1990.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 16 1991								MONDAY JULY 15 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	144.79	+0.6	130.45	125.48	135.42	124.13	+0.1	5.18	143.98	129.18	124.37	133.81	124.01	147.30	112.74	152.09
Austria (20)	178.36	−0.1	160.70	154.58	166.82	166.67	+0.2	1.66	178.60	160.23	154.27	165.97	166.40	222.37	167.00	271.72
Belgium (49)	126.20	−0.3	113.71	109.38	118.03	115.15	−0.1	5.12	126.63	113.61	109.38	117.68	115.23	151.20	121.73	152.09
Canada (115)	139.97	+0.2	126.11	121.29	130.90	116.20	+0.3	3.34	139.66	125.30	120.63	129.78	115.90	142.27	126.49	141.23
Denmark (37)	249.59	−0.1	224.88	216.31	233.44	235.76	+0.1	1.50	249.80	224.11	215.78	232.14	235.53	270.56	217.74	267.29
Finland (16)	94.08	−0.3	84.77	81.54	88.00	85.23	−0.2	2.83	94.34	84.64	81.49	87.67	85.36	125.15	90.00	133.93
France (113)	126.01	−0.7	113.53	109.20	117.85	120.67	−0.1	3.70	126.94	113.89	109.65	117.96	120.82	152.26	120.60	160.84
Germany (65)	105.72	−0.7	95.25	91.63	98.88	98.88	−0.1	2.27	106.50	95.55	92.00	98.97	98.97	125.35	102.03	139.24
Hong Kong (55)	167.41	+1.5	150.84	145.08	156.59	166.74	+1.5	4.16	164.92	147.96	142.45	153.27	164.35	167.41	119.62	143.24
Ireland (18)	144.32	+1.6	130.04	125.08	134.99	136.53	+1.8	3.74	142.06	127.47	122.73	132.04	134.09	182.46	132.88	186.95
Italy (77)	71.09	−1.5	64.05	61.60	66.48	71.11	−0.9	3.29	72.16	64.74	62.32	67.05	71.73	88.23	70.54	105.93
Japan (474)	129.59	−0.8	116.76	112.30	121.22	112.30	−0.5	0.75	130.63	117.20	112.83	121.41	112.83	146.97	118.35	154.96
Malaysia (68)	224.99	−0.3	202.72	194.98	210.43	241.07	−0.3	2.73	225.74	202.53	194.98	209.78	241.78	247.78	192.83	249.12
Mexico (16)	1138.61	+2.1	1025.89	986.76	1064.94	3754.00	+2.1	1.45	1115.18	1000.52	963.28	1036.36	3676.75	1138.61	534.45	527.46
Netherland (31)	134.10	−0.1	120.82	116.21	125.43	124.03	+0.6	4.32	134.27	120.46	115.98	124.78	123.33	145.73	125.70	146.36
New Zealand (13)	48.28	−0.4	43.50	41.84	45.16	45.43	−0.6	7.72	48.48	43.49	41.88	45.05	45.69	54.64	41.18	70.63
Norway (32)	192.77	−0.4	173.69	167.07	180.31	183.29	−0.1	1.60	193.48	173.59	167.13	179.81	183.44	223.24	182.24	250.28
Singapore (38)	191.83	+0.1	172.84	166.25	179.41	154.83	+0.2	2.21	191.71	172.00	165.60	178.16	154.56	208.25	151.63	209.24
South Africa (61)	252.82	−0.4	227.79	219.10	236.45	174.05	+0.3	3.14	253.92	227.81	219.33	235.97	173.45	255.76	173.00	178.59
Spain (55)	143.60	−0.1	129.38	124.45	134.31	122.55	+0.3	4.38	143.68	128.91	124.12	133.53	122.24	171.12	131.51	182.06
Sweden (26)	191.82	−0.3	172.83	166.24	179.41	184.58	+0.0	2.44	192.32	172.54	166.13	178.73	184.56	204.12	146.60	229.81
Switzerland (58)	90.64	−0.7	81.67	78.56	84.79	87.75	+0.1	2.19	91.31	81.92	78.88	84.87	87.63	100.67	82.17	107.68
United Kingdom (240)	167.51	+0.6	150.93	145.18	156.66	150.93	+1.0	4.86	166.59	149.46	143.88	154.80	149.46	187.44	156.27	176.14
USA (526)	154.45	−0.2	139.16	133.86	144.46	154.45	−0.2	3.12	154.84	138.92	133.75	143.90	154.84	158.24	125.95	146.38
Europe (837)	132.88	−0.1	119.72	115.16	124.29	122.48	+0.4	3.90	133.03	119.35	114.91	123.63	121.98	151.52	125.50	156.01
Nordic (111)	184.91	−0.2	166.60	160.25	172.94	169.44	+0.0	1.94	185.27	166.22	160.03	172.17	169.39	200.81	155.55	216.09
Pacific Basin (717)	130.95	−0.7	117.99	113.49	122.48	114.03	−0.4	1.10	131.81	118.26	113.86	122.50	114.47	145.92	117.86	154.33
Euro – Pacific (1554)	132.05	−0.4	118.97	114.43	123.50	118.19	−0.1	2.22	132.63	118.99	114.55	123.25	118.27	147.66	121.29	155.42
North America (641)	153.47	−0.2	138.27	133.02	143.56	151.87	−0.2	3.14	153.81	138.00	132.88	142.97	152.21	157.04	125.91	147.84
Europe Ex UK (597)	112.21	−0.6	101.10	97.26	104.97	106.03	+0.0	3.18	112.89	101.29	97.54	104.94	106.08	129.80	106.85	142.49
Pacific Ex. Japan (243)	144.41	+0.7	130.11	125.17	135.08	129.24	+0.5	4.34	143.42	128.67	123.90	133.29	128.62	145.66	111.40	146.02
World Ex. US (1746)	134.19	−0.4	120.91	116.30	125.51	119.61	+0.0	2.27	134.73	120.88	116.39	125.21	119.65	148.16	122.32	165.39
World Ex. UK (2032)	137.38	−0.4	123.78	119.07	128.51	128.46	−0.2	2.33	137.99	123.80	119.20	128.25	128.76	145.77	120.06	149.37
World Ex. So. Af. (2211)	139.27	−0.3	125.48	120.70	130.27	130.21	−0.1	2.58	139.74	125.37	120.72	129.88	130.37	148.66	122.82	151.58
World Ex. Japan (1798)	146.88	−0.1	132.33	127.30	137.39	140.58	+0.1	3.45	147.07	131.94	127.05	136.69	140.50	152.83	126.69	151.59
The World Index (2272)	140.02	−0.3	126.16	121.35	130.97	130.59	−0.1	2.59	140.50	126.06	121.37	130.58	130.74	149.01	123.28	151.74

Constituent changes with effect 18/7/91: Deletions: Hidrola (Spain) and Euromarche (France). Latest prices were unavailable for this edition.